Astral Media Inc.

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Quarterly Report 3

ASTRAL DELIVERS SOLID THIRD QUARTER RESULTS

9% increase in revenues and 4% increase in EBITDA[1]
9% increase in net earnings and 9% increase in basic EPS

Montréal, July 15, 2010

Astral Media Inc. (TSX: ACM.A/ACM.B) today reported solid financial results for the third quarter ended May 31, 2010, which saw continued growth in revenues, EBITDA[1], net earnings, EPS, and cash flow from operations[5].

"I am delighted with Astral's performance in the third quarter and by the strong growth displayed by each of our business units. I am particularly pleased that our advertising revenues increased 11% and that our subscription revenues grew a strong 7%, contributing to Astral's 55th consecutive quarter of profitable growth," said Ian Greenberg, President and Chief Executive Officer. "While we still operate in a slowly recovering economic and advertising market environment, we continue to reinforce our relationship with key partners such as Disney, HBO, NRJ and Virgin and sustain our strategic investments to further strengthen our offering to consumers and advertisers."

In the third quarter, consolidated revenues reached $253.6 million, a 9% increase from the $232.5 million reported last year for the same period. EBITDA[1] grew 4% in the third quarter to $84.9 million from $81.8 million for the same period last year. Consolidated net earnings for the third quarter increased 9% over the same quarter last year, rising to $48.5 million ($0.86 per share) from $44.3 million ($0.79 per share). Cash flow from operations[5] for the third quarter increased 10% to $64.6 million from $58.6 million for the same period last year.

In the first nine months of Fiscal 2010, consolidated revenues totalled $722.6 million, an increase of 5% over the $686.3 million recorded last year for the same period. EBITDA[1] for the first nine months increased 13% to $244.3 million[4] from $216.5 million[2] for the same period last year. Consolidated net earnings for the first nine months increased by 25% over last year, to $138.3 million[3, 4] ($2.45 per share[3, 4]) from $111.0 million[2] ($1.98 per share[2]). Cash flow from operations[5] rose 15% to $169.9 million[3,4] for the first nine months of the year compared to $147.4 million[2] for the same period last year.

1. EBITDA is defined as earnings before interest, taxes, depreciation and amortization (See "Supplementary Measures").
2. After the restatement of Fiscal 2009 figures following the adoption of Section 3064 of the CICA Handbook. See details in the Management's Discussion and Analysis.
3. Excluding the impact of an $8.4 million ($0.15 per share) non-cash future income tax recovery resulting from future income tax rate changes enacted by the Ontario Government (See "Supplementary Measures").
4. Including the $11.6 million in Part II licence fees accrual reversal ($8.0 million net of income taxes or $0.14 per share) in the first quarter of Fiscal 2010 ($3.2 million in Television and $8.4 million in Radio). See details in the Management's Discussion and Analysis.
5. See "Supplementary Measures".

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Television

- Revenue growth of 9% for the third quarter (7% growth for the nine-month period);
- EBITDA[1] growth of 2% for the third quarter (14% growth for the nine-month period[2, 3]);
- Number of pay-TV subscribers (The Movie Network and Super Écran) grew 4% over the same period last year to over 1.8 million;
- On May 31, 2010, announcement of the launch of the new Playhouse Disney télé service in French, available since July 5 on Bell TV.

Radio

- Revenue growth of 9% for the third quarter (2% growth for the nine-month period);
- EBITDA[1] growth of 6% for the third quarter (9% growth for the nine-month period[2, 3]).
- On May 27, launch of 99.7 EZ Rock, a new station broadcasting in the Ottawa-Gatineau market.

Out-of-Home

- Revenue growth of 10% for the third quarter (7% growth for the nine-month period);
- EBITDA[1] growth of 11% for the third quarter (15% growth for the nine-month period);
- Expansion of Canada's first national Digital outdoor advertising network with the addition of two new digital advertising faces in the Toronto market during the third quarter.

Corporate

- On May 27, the Company launched its new corporate brand identity;
- On June 28, the Company moved its executive offices and certain divisional offices to the new Maison Astral building located at 1800 avenue McGill College in the heart of downtown Montréal.

1. EBITDA is defined as earnings before interest, taxes, depreciation and amortization (See "Supplementary Measures").
2. After the restatement of Fiscal 2009 figures following the adoption of Section 3064 of the CICA Handbook. See details in the Management's Discussion and Analysis.
3. Including the $11.6 million in Part II licence fees accrual reversal ($8.0 million net of income taxes or $0.14 per share) in the first quarter of Fiscal 2010 ($3.2 million in Television and $8.4 million in Radio). See details in the Management's Discussion and Analysis.

ASTRAL MEDIA INC.
Management's Discussion and Analysis
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The purpose of this Management's Discussion and Analysis ("MD&A"), dated July 15, 2010, is to provide readers with additional and complementary information regarding Astral Media Inc.'s ("Astral" "Astral Media" or the "Company") financial condition and results of operations and should be read in conjunction with the audited consolidated financial statements and related notes, and the MD&A contained in the Company's 2009 Annual Report, and with the Company's Annual Information Form.

Copies of these documents, the Company's Management Proxy Circular dated October 27, 2009, its notices of intention to make a normal course issuer bid, as well as additional information concerning the Company can be found on the SEDAR Web site at www.sedar.com and may also be obtained upon request, without charge, to the Secretary of the Company at its executive offices, 1800 avenue McGill College, bureau 2700, Montréal, Québec, H3A 3J6, telephone: 514-939-5000. The above-mentioned documents, as well as the Company's news releases, are also available on the Company's Web site at www.astral.com.

All amounts herein are expressed in Canadian dollars. Certain comparative figures have been reclassified to conform with the basis of presentation adopted in Fiscal 2010.

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FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements concerning the future performance of the Company's business, its operations and its financial results and condition.

The following table outlines the major forward-looking statements included in this MD&A:

Forward-looking Statements	Key Assumptions	Most Relevant Risk Factors	Pages
Revenue trends	Historical and current trends	Economic and market conditions	10, 18
Future cost savings	New Part II licence fee rates	Implementation of the new regulation	11
Contingent consideration	New Part II licence fee rates	Implementation of the new regulation	12
Future cash flows	Corporate and strategic plans	Economic conditions, competition and regulation	19
2010 capital expenditures program	Corporate and strategic plans	Ability to generate sufficient cash flows and execution factors	21
Copyright Board decision impact	New royalty tariffs	Company's revenue level and mix	25

Other forward-looking statements may be found in this MD&A or in the other documents incorporated by reference in this MD&A. When used in this document, the words "believe", "anticipate", "intend", "estimate", "expect", "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are based on current expectations. We caution that all forward-looking information is inherently uncertain and actual results may differ materially from the assumptions, estimates or expectations reflected or contained in the forward-looking information, and that actual future performance will be affected by a number of factors, including technological change, economic conditions, regulatory change, competitive factors and changes in accounting rules or standards, many of which are beyond the Company's control (see "Risks, Uncertainties and Opportunities"). Therefore, future events and results may vary substantially from what we currently foresee. Except as required under applicable securities regulation, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PROFILE

Astral is a leading Canadian media company, reaching people through a combination of highly targeted media properties in television, radio, outdoor, and interactive media. The Company is the country's largest broadcaster of English- and French-language pay and specialty television and operates, on its own or with partners, 21 television services, including The Movie Network / HBO Canada, Super Écran, Family, Canal Vie, Canal D, VRAK.TV and TELETOON. Astral is also Canada's largest radio broadcaster with 83 licensed radio stations in eight provinces, under some of the industry's best known brands including NRJ, RockDétente, Virgin Radio and EZ Rock. Astral Out-of-Home is one of Canada's most dynamic and innovative out-of-home advertising companies with nearly 8,000 faces located in the largest markets in Québec, Ontario and British Columbia. Astral also operates over 100 websites with a high level of interactivity and a variety of different products and on-line services. The Company employs approximately 2,800 people at its facilities in Montréal, Toronto, and in a number of cities throughout Canada. The shares of Astral Media Inc. trade on the Toronto Stock Exchange under the ticker symbols ACM.A/ACM.B.

HIGHLIGHTS

- 9% increase in revenues in the quarter
- 4% increase in EBITDA (1) in the quarter
- 9% increases in net earnings and in basic earnings per share in the quarter
- On May 27, 2010, the Company announced the launch of its new brand identity
- On May 27, 2010, the Company launched its new 99.7 EZ ROCK radio station in Ottawa
- On May 31, 2010, the Company announced the launch of a French-language version of the Playhouse Disney channel that is available since July 5, 2010
- On June 28, 2010, the Company moved its executive and certain divisional offices to the new Maison Astral Building at 1800 avenue McGill College, in the heart of downtown Montréal
- Subsequent to the end of the quarter, on July 9, 2010, the Copyright Board issued its commercial radio tariff decision and introduced two new regulated tariffs, retroactive to January 1, 2008, covering the use of music by commercial radio stations (see "Regulated Environment" section).

(1) Earnings before interest, taxes, depreciation and amortization ("EBITDA") (see "Supplementary Measures").

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PERFORMANCE REVIEW

CONSOLIDATED RESULTS

(in thousands of $ except for per-share data)	3 months 2010	3 months 2009	3 months % Change	9 months 2010	9 months 2009	9 months % Change
		(Restated) (1)			(Restated) (1)	
Revenues	253,597	232,537	9%	722,563	686,298	5%
Operating expenses	168,663	150,703	12%	489,781	469,823	4%
Part II licence fees accrual reversal	–	–	–	(11,552)	–	n/a
EBITDA (2)	84,934	81,834	4%	244,334	216,475	13%
Depreciation and amortization	8,021	6,833	17%	23,039	19,755	17%
Interest expense, net	6,509	8,926	-27%	20,312	28,990	-30%
Restructuring charges	–	616	n/a	–	3,307	n/a
Earnings before income taxes	70,404	65,459	8%	200,983	164,423	22%
Income tax provision, before future income tax recovery (3)	21,947	21,190	4%	62,639	53,446	17%
Net earnings before the impact of future income tax rate changes (2)	48,457	44,269	9%	138,344	110,977	25%
Future income tax recovery resulting from income tax rate changes (3)	–	–	–	8,397	–	n/a
Net earnings	48,457	44,269	9%	146,741	110,977	32%
Basic earnings per share before the impact of future income tax rate changes (2)	0.86	0.79	9%	2.45	1.98	24%
Impact of future income tax rate changes (3)	–	–	–	0.15	–	n/a
Basic earnings per share	0.86	0.79	9%	2.60	1.98	31%
Diluted earnings per share	0.85	0.78	9%	2.57	1.96	31%
Weighted average number of shares outstanding – basic (in thousands)	56,583	56,118	1%	56,428	56,077	1%
Weighted average number of shares outstanding – diluted (in thousands)	57,277	56,577	1%	57,116	56,497	1%
Cash flow from operations (2)	64,571	58,593	10%	169,868	147,389	15%

The most significant variances in the consolidated results between the third quarters of Fiscal 2010 and Fiscal 2009 are mainly due to the strong increases of advertising revenues in Television, Radio and Out-of-Home, as well as to the continued growth of subscription-related revenues in pay and specialty television. The most significant variances in the consolidated results between the nine-month periods of Fiscal 2010 and Fiscal 2009 are due to the following: the continued growth of subscription-related revenues in pay and specialty television as well as growth in advertising revenues in Television, Radio and Out-of-Home; the reversal of $11.6 million of accrued Part II licence fees following the resolution of the issue described in the “Part II Licence Fees Accrual Reversal” section; the restructuring charges of $3.3 million recorded in Fiscal 2009; and the future income tax recovery of $8.4 million (see “Income Taxes” section).

It should be noted that Fiscal 2009 figures have been restated following the adoption of Section 3064 of the Canadian Institute of Chartered Accountants’ (“CICA”) Handbook (the “Restatement”) (see the “Restatement of Fiscal 2009 Figures” section).

(1) See "Restatement of Fiscal 2009 Figures".
(2) See "Supplementary Measures".
(3) See “Income Taxes”.

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The financial results and variances presented in this MD&A include the impact of the Restatement and exclude the impact of future income tax rate changes that were enacted in the first quarter of Fiscal 2010. The impact resulting from the Restatement is explained in the "Restatement of Fiscal 2009 Figures" section which follows, and the impact resulting from future income tax rate changes is explained in the "Income Taxes" section.

Restatement of Fiscal 2009 Figures

Following the adoption of Section 3064 of the CICA Handbook (see "Accounting Matters"), the Company reclassified the net carrying value of computer software that met the definition of intangible assets from property, plant and equipment to other intangible and non-current assets on the consolidated balance sheets. The amortization expense related to these assets previously recorded in depreciation was reclassified as amortization of intangible assets on the consolidated statements of earnings. The Company also wrote off start-up and business pre-operating costs (the "pre-op costs") and related future income tax liabilities through opening retained earnings. Net earnings for Fiscal 2009 and for the three-month periods ended in each of its quarters were restated to recognize pre-op costs of new services as operating expenses, to eliminate amortization of pre-op costs and to reverse the future income tax expense related to such pre-op costs in the consolidated statements of earnings (see note 1 to the unaudited interim consolidated financial statements for the three- and nine-month periods ended May 31, 2010).

The adjustments, following the adoption of Section 3064, to the consolidated statements of earnings for Fiscal 2009 and for the three-month periods ended in each of the four quarters of Fiscal 2009, are summarized in the following tables:

	Q1-2009			
(in thousands of $ except for per-share data)	As Previously Reported	Pre-op Costs	Software	Restated
Revenues	244,483	–	–	244,483
Operating expenses	165,018	4,010	–	169,028
	79,465	(4,010)	–	75,455
Depreciation	6,141	–	(847)	5,294
Amortization	414	(159)	847	1,102
Interest expense, net	10,518	–	–	10,518
Earnings before income taxes	62,392	(3,851)	–	58,541
Income tax provision	20,030	(1,094)	–	18,936
Net earnings	42,362	(2,757)	–	39,605
Basic earnings per share	0.76	(0.05)	–	0.71
Diluted earnings per share	0.75	(0.05)	–	0.70

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	Q2-2009			
(in thousands of $ except for per-share data)	As Previously Reported	Pre-op Costs	Software	Restated
Revenues	209,278	–	–	209,278
Operating expenses	147,364	2,728	–	150,092
	61,914	(2,728)	–	59,186
Depreciation	6,221	–	(897)	5,324
Amortization	468	(163)	897	1,202
Interest expense, net	9,546	–	–	9,546
Restructuring charges	2,691	–	–	2,691
Earnings before income taxes	42,988	(2,565)	–	40,423
Income tax provision	14,041	(721)	–	13,320
Net earnings	28,947	(1,844)	–	27,103
Basic earnings per share	0.52	(0.04)	–	0.48
Diluted earnings per share	0.51	(0.03)	–	0.48

	Q3-2009			
(in thousands of $ except for per-share data)	As Previously Reported	Pre-op Costs	Software	Restated
Revenues	232,537	–	–	232,537
Operating expenses	150,273	430	–	150,703
	82,264	(430)	–	81,834
Depreciation	6,461	–	(834)	5,627
Amortization	758	(386)	834	1,206
Interest expense, net	8,926	–	–	8,926
Restructuring charges	616	–	–	616
Earnings before income taxes	65,503	(44)	–	65,459
Income tax provision	21,200	(10)	–	21,190
Net earnings	44,303	(34)	–	44,269
Basic earnings per share	0.79	–	–	0.79
Diluted earnings per share	0.78	–	–	0.78

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	Q4-2009			
(in thousands of $ except for per-share data)	As Previously Reported	Pre-op Costs	Software	Restated
Revenues	219,427	–	–	219,427
Operating expenses	142,691	68	–	142,759
	76,736	(68)	–	76,668
Depreciation	5,941	–	(719)	5,222
Amortization	1,116	(594)	719	1,241
Interest expense, net	7,978	–	–	7,978
Restructuring charges	1,076	–	–	1,076
Impairment charge on broadcast licences	399,459	–	–	399,459
Loss before income taxes	(338,834)	526	–	(338,308)
Income tax provision	16,773	121	–	16,894
Future income tax recovery	(81,970)	–	–	(81,970)
Net loss	(273,637)	405	–	(273,232)
Basic loss per share	(4.87)	0.01	–	(4.86)
Diluted loss per share	(4.87)	0.01	–	(4.86)

	Fiscal 2009			
(in thousands of $ except for per-share data)	As Previously Reported	Pre-op Costs	Software	Restated
Revenues	905,725	–	–	905,725
Operating expenses	605,346	7,236	–	612,582
	300,379	(7,236)	–	293,143
Depreciation	24,764	–	(3,297)	21,467
Amortization	2,756	(1,302)	3,297	4,751
Interest expense, net	36,968	–	–	36,968
Restructuring charges	4,383	–	–	4,383
Impairment charge on broadcast licences	399,459	–	–	399,459
Loss before income taxes	(167,951)	(5,934)	–	(173,885)
Income tax provision	72,044	(1,704)	–	70,340
Future income tax recovery	(81,970)	–	–	(81,970)
Net loss	(158,025)	(4,230)	–	(162,255)
Basic loss per share	(2.82)	(0.07)	–	(2.89)
Diluted loss per share	(2.82)	(0.07)	–	(2.89)

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OVERALL ANALYSIS

Revenues

Television revenues are derived from subscription fees, advertising sales and pay-per-view sales. Pay-television subscription revenues tend to follow the growth trend of digital television subscribers in the same markets, while specialty television subscriber revenues generally show lower growth rates as these services are distributed on high-penetration analog and digital tiers. Television and Radio advertising revenues are derived from advertising aired on the Company's broadcasting properties and they vary according to market and general economic conditions, the quality of programming and the effectiveness of the sales organization. Out-of-Home revenues are derived from the sale of advertising on the Company's inventory of Out-of-Home faces and street furniture equipment, and are influenced by their number in inventory, their location, creative appeal and size, occupancy levels, as well as market and general economic conditions. See the "Quarterly Performance" section for explanations of seasonal patterns.

Revenues are detailed as follows:

	3 months			9 months		
(in thousands of $)	2010	2009	% Change	2010	2009	% Change
Subscription-related – Television	109,820	103,062	7%	323,241	302,489	7%
Advertising						
Television	35,075	30,088	17%	92,329	85,878	8%
Radio	89,141	81,630	9%	252,212	246,822	2%
Out-of-Home	19,561	17,757	10%	54,781	51,109	7%
Total Advertising	143,777	129,475	11%	399,322	383,809	4%
Total Revenues	253,597	232,537	9%	722,563	686,298	5%

Total revenues reached $253.6 million and $722.6 million respectively, for the three- and nine-month periods ended May 31, 2010 compared to $232.5 million and $686.3 million for the same periods last year, representing increases of 9% and 5% respectively. The third quarter of Fiscal 2010 confirmed signs of increased activity beneficial to advertising revenues in all business segments of the Company following the economic slowdown experienced throughout Fiscal 2009. As a result, advertising revenues in Television, Radio and Out-of-Home showed increases of 17%, 9% and 10% respectively (8%, 2% and 7% respectively on a year-to-date basis). Subscription-related revenues in Television, mainly driven by subscriber growth in both pay and specialty television and by the launch of new television services in Fiscal 2009, showed increases of 7% in the three- and nine-month periods ended May 31, 2010. Revenue variations are explained in the "Business Segment Performance" section.

Operating Expenses

Operating expenses for the three- and nine-month periods ended May 31, 2010, excluding the Part II licence fees accrual reversal explained below, increased by $18.0 million and $20.0 million respectively, compared to the same periods last year. The increase for the quarter is mainly explained by an increase of $13.2 million in the Company's most significant operating expenses: programming costs and salaries and benefits, and an increase of $5.1 million in other operating expenses, especially in out-of-home sites leasing and marketing expenses in Television and Radio, partially offset by the fact that the Company only incurred $0.1 million of costs related to the launch of new services during the quarter, whereas $0.4 million of such expenses related to the launch of new services were incurred during the same period last year.

On a year-to-date basis, the increase of $20.0 million is mainly explained by an increase of $17.0 million in programming costs and salaries and benefits and of $10.1 million in other operating expenses, partially offset by the fact that the Company only incurred $0.1 million of costs related to the launch of new services during the first nine months of Fiscal 2010, whereas $7.2 million of such expenses related to the launch of new services were incurred during the same period last year (mainly for the launch of HBO Canada). Variances are explained in the "Business Segment Performance" section.

Part II Licence Fees Accrual Reversal

The Canadian Association of Broadcasters (the "CAB"), on behalf of its members, challenged in Court the validity of the Part II licence fees payable annually to the Canadian Radio-television and Telecommunications Commission (the "CRTC") by television and radio broadcasters, as well as broadcast distribution undertakings. In December 2006, the Federal Court ruled that the Part II licence fees were an illegal tax. The Federal Government appealed the Federal Court judgment, and on April 28, 2008, the Appeal Court ruled that the Federal Court mischaracterized the legal test to be applied to distinguish a tax from a regulatory charge and that the fees represented, in fact, administrative costs incurred by the CRTC. On June 27, 2008, the CAB, on behalf of its members, filed an application for leave to appeal the Appeal Court decision to the Supreme Court of Canada (the "SCC"), which application was granted on December 18, 2008. The CRTC confirmed to the CAB that it would not attempt to collect outstanding Part II Fees until the earlier of (i) the Appeal Court decision is affirmed by the SCC; or (ii) the matter is settled between the parties. The Company had been paying or accruing, as the case may be, the Part II licence fees using known rates since the beginning of legal proceedings.

In October 2009, the CAB announced that its Board of Directors, along with other fee-paying stakeholders, approved the terms of a settlement agreement with the Government of Canada pertaining to the Part II licence fees issue. The agreement has resulted in the CAB and other named parties discontinuing the legal challenge before the SCC. As provided in the agreement, fees and interest due to the Government, but not collected by the CRTC due to ongoing litigation issues for the fiscal years 2007, 2008 and 2009, were waived and there will not be any recovery of the amounts paid by the stakeholders to the Government for any prior year. Going forward, further to the Government's recommendation, the CRTC published amendments to the Part II licence fee regime to cap the fees, which amendments came into force on June 23, 2010. The revised fee regime is effective for the fiscal year beginning September 1, 2009 and the Company estimates that it will bring savings, on an annual basis, of approximately $1.5 million as compared to the fees accrued under the previous regime.

In the first quarter of Fiscal 2010, following the settlement, the Part II licence fees accrued as at August 31, 2009 amounting to $11.6 million ($8.0 million net of income taxes or $0.14 per share) were reversed through operating expenses on the Company's unaudited interim consolidated statement of earnings.

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Furthermore, the purchase price of a previous business acquisition is subject to a contingent consideration, the amount of which is based on the impact on future earnings of the final resolution of matters pertaining to the Part II licence fees settlement agreement. The Company will therefore be required to pay an additional cash consideration estimated to be less than $10.0 million. The additional consideration will be accounted for as an increase of goodwill in the period in which the amount is agreed to.

EBITDA [(1)]

The Company's EBITDA [(1)] of $84.9 million for the quarter ended May 31, 2010 exceeded the EBITDA [(1)] for the same period last year by $3.1 million or 4%. This is the result of a $21.1 million increase in revenues, of which $14.3 million came from an increase in overall advertising revenues and $6.8 million from subscription-related revenues in Television. This is partially offset by higher operating expenses of $18.0 million, as previously explained in the Operating Expenses section. As a result, the overall EBITDA margin [(1)] stands at 33.5% for the quarter compared to 35.2% for the same period last year.

For the nine-month period ended May 31, 2010 the Company's EBITDA [(1)] of $244.3 million exceeded the EBITDA [(1)] for the same period last year by $27.9 million or 13%. This is explained by a $36.3 million increase in revenues, $20.8 million coming from subscription-related revenues in both pay and specialty television and $15.5 million from advertising revenues, by the Part II licence fees accrual reversal of $11.6 million (see "Part II Licence Fees Accrual Reversal" section), partly offset by higher operating expenses of $20.0 million (see "Operating Expenses" section). As a result of the Part II licence fees accrual reversal, the overall EBITDA margin [(1)] of 33.8% for the nine-month period is not readily comparable to the EBITDA margin [(1)] of 31.5% for the same period last year. By excluding the impact of the $11.6 million reversal, the EBITDA [(1)] increase over last year would be 8% and the EBITDA margin [(1)] for the nine-month period of Fiscal 2010 would be 32.2%, representing an increase in the EBITDA margin [(1)] of 0.7 percentage point in comparison to the same period last year. EBITDA [(1)] by segment is reviewed in the "Business Segment Performance" section.

	3 months			9 months		
(in thousands of $)	2010	2009	% Change	2010	2009	% Change
		(Restated) [(2)]			(Restated) [(2)]	
Television	55,840	54,497	2%	158,646	139,054	14%
Radio	28,948	27,335	6%	88,459	81,226	9%
Out-of-Home	7,355	6,606	11%	18,225	15,917	15%
Corporate	(7,209)	(6,604)	9%	(20,996)	(19,722)	6%
EBITDA [(1)]	84,934	81,834	4%	244,334	216,475	13%
EBITDA margin [(1)]	*33.5%*	*35.2%*	*-5%*	*33.8%*	*31.5%*	*7%*

(1) See "Supplementary Measures".
(2) See "Restatement of Fiscal 2009 Figures".

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Depreciation and Amortization

The total depreciation and amortization expense was $8.0 million and $23.0 million respectively, for the three- and nine-month periods ended May 31, 2010, representing increases over the same periods last year of $1.2 million and $3.3 million respectively. This is mainly due to the acquisition and deployment of street furniture equipment for the street furniture program in the City of Toronto (the "TSF") and to the implementation of the new Digital outdoor advertising network in the Out-of-Home segment, as well as infrastructure upgrades in Radio. Any significant variance by segment of depreciation and amortization is reviewed in the "Business Segment Performance" section.

Interest

Interest expense is primarily composed of interest on the Company's long-term debt, interest emanating from the interest-rate swap agreement and imputed interest related to other non-current liabilities, net of interest income earned on cash, cash equivalents and short-term investments. The net interest expenses for the three- and nine-month periods ended May 31, 2010 were $6.5 million and $20.3 million respectively, compared to $8.9 million and $29.0 million for the same periods last year. The decreases in the interest expense of $2.4 million for the quarter and $8.7 million for the nine-month period are mainly due to a lower interest rate on the portion of the long-term debt which is not covered by the interest-rate swap agreement and to debt repayments of $140.0 million over the last twelve months. The effective interest rate on the long-term debt, including the effect of the interest-rate swap agreement, was 3.4% and 3.5% respectively, for the third quarter and the nine-month period ended May 31, 2010 compared to 4.0% and 4.4% for the same periods last year.

Income Taxes

On November 16, 2009, the Ontario government substantively enacted a progressive decrease to its general corporate income tax rate from 14.0% to 10.0%, to be phased in between July 1, 2010 and July 1, 2013. Upon each enacted rate change, over which the Company has no control, the Company is required to re-measure its future income tax assets and liabilities using the newly enacted corporate income tax rates, taking into account the rates anticipated to be in effect when the respective future income tax assets are realized or liabilities are settled. This resulted in a non-cash future income tax recovery of $8.4million (or $0.15 per share) recorded in the first quarter of Fiscal 2010.

The effective income tax rate of 31.2% for the three-month period ended May 31, 2010 is above the statutory rate of 30.6% due to the impact of the non-deductible stock-based compensation expense. The effective income tax rate is lower than last year's rate of 32.4% for the corresponding period mainly due to the decrease in the Federal and Ontario general corporate income tax rates and to the impact of changes in the geographical allocation of the Company's taxable income. Excluding the above-mentioned non-cash future income tax recovery of $8.4 million, the effective income tax rate of 31.2% for the nine-month period ended May 31, 2010 is higher than the statutory rate of 30.6%, mainly due to the non-deductible stock-based compensation expense. The effective income tax rate is lower than last year's rate of 32.5% for the corresponding period mainly due to the decrease in the Federal and Ontario general corporate income tax rates and to the impact of changes in the geographical allocation of the Company's taxable income.

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Net Earnings and Earnings per Share ("EPS")

The increases in net earnings and basic EPS of $4.2 million and $0.07 respectively, for the three-month period ended May 31, 2010 are mainly explained by the after-tax effect of an increase in revenues of $21.1 million, of which $14.3 million came from an increase in overall advertising revenues and $6.8 million from subscription-related revenues in Television, by lower interest expense of $2.4 million following a decrease in the effective interest rate and debt repayments of $140.0 million over the last twelve months, and by the restructuring charges recorded in Fiscal 2009. This is partially offset by higher operating expenses of $18.0 million (see “Operating Expenses” section).

The increases in net earnings and basic EPS of $35.8 million and $0.62 respectively, for the nine-month period ended May 31, 2010 compared to last year’s corresponding period are mainly explained by the after-tax effect of an increase in revenues of $36.3 million, $20.8 million coming from subscription-related revenues in both pay and specialty television and $15.5 million from advertising revenues, by the Part II licence fees accrual reversal of $11.6 million ($8.0 million net of income taxes or $0.14 per share) (see “Part II Licence Fees Accrual Reversal” section), by lower interest expense of $8.7 million following a decrease in the effective interest rate and debt repayments of $140.0 million over the last twelve months, by the non-cash future income tax recovery of $8.4 million (see “Income Taxes” section), and by the restructuring charges recorded in Fiscal 2009.

BUSINESS SEGMENT PERFORMANCE

Television

	3 months			9 months		
(*in thousands of $ except for pay-television subscribers)*	2010	2009	% Change	2010	2009	% Change
		(Restated) (1)			(Restated) (1)	
Pay-television subscribers – end of period (in thousands)	1,814	1,742	4%	1,814	1,742	4%
Revenues	144,895	133,150	9%	415,570	388,367	7%
Operating expenses	89,055	78,653	13%	260,078	249,313	4%
Part II licence fees accrual reversal	–	–	–	(3,154)	–	n/a
EBITDA (2)	55,840	54,497	2%	158,646	139,054	14%
Depreciation and amortization	2,433	2,328	5%	7,246	6,684	8%
Restructuring charges	–	616	n/a	–	616	n/a
	53,407	51,553	4%	151,400	131,754	15%
EBITDA margin (2) (3)	*38.5%*	*40.9%*	*-6%*	*37.4%*	*35.8%*	*4%*

The Television segment showed a strong performance in the three- and nine-month periods ended May 31, 2010 mainly due to strong advertising revenues, up 17% and 8% respectively, and to subscription-related revenues which showed increases of 7% for both periods of Fiscal 2010. This resulted in overall revenue increases of 9% and 7% in the three- and nine-month periods respectively, mainly explained by a higher number of subscribers, the launch of new television services such as HBO Canada in Fiscal 2009, the continuing expansion of digital distribution services and high-definition service offerings, high-quality and exclusive programming, strong brand recognition and an effective sales force.

(1) See "Restatement of Fiscal 2009 Figures".
(2) See "Supplementary Measures".
(3) The Television EBITDA margin for the nine-month period is calculated excluding the impact of the Part II licence fees accrual reversal of $3.2 million.

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Pay-television revenues (The Movie Network, Super Écran, Mpix and Cinépop) increased by 10% and 9% in the three- and nine-month periods respectively of Fiscal 2010, while the number of pay-television subscribers, as at May 31, 2010, increased by 4% year-over-year. HBO Canada contributed significantly to the increase of pay-television revenues. Specialty television subscriber revenues increased by 2% and 4% respectively in the three- and nine-month periods ended May 31, 2010, mainly due to increases in the subscriber base.

Overall advertising revenues for the Television segment increased by 17% and 8% respectively for the three- and nine-month periods ended May 31, 2010. Specifically, Astral's specialty networks' advertising revenues derived from air time, which account for more than 90% of Astral's Television advertising revenues, increased by 14% during the third quarter of Fiscal 2010, while the combined Québec and Ontario television advertising market increased by an estimated 8% (1). Higher merchandising and Web site related revenues also contributed to the increase. On a year-to-date basis, Astral's specialty networks' advertising revenues increased by 8%, which is in line with the combined Québec and Ontario television advertising market (1). For the first nine months of Fiscal 2010, the French-language speciality television's market share for the 2-and-over age category increased by approximately 2%, while conventional networks suffered a decrease of approximately 4% in the same age category (2). The Company's Television advertising revenues accounted for 22% of total Television revenues for the first nine months of both Fiscal 2010 and Fiscal 2009.

The Television group's operating expenses increased by 13% during the third quarter of Fiscal 2010. This is mainly due to higher programming and marketing expenses, partially offset by the fact that the Company had $0.1 million of costs related to the launch of new services during the third quarter of Fiscal 2010 compared to costs of $0.4 million related to the launch of new services incurred during the same period last year (mainly HBO Canada).

On a year-to-date basis, the Television group's operating expenses, excluding the Part II licence fees accrual reversal of $3.2 million, increased by $10.8 million. This is mainly due to higher programming, marketing and miscellaneous administrative expenses, partially offset by the fact that the Company had $0.1 million of costs related to the launch of new services during the first nine months of Fiscal 2010 compared to costs of $6.6 million related to the launch of new services incurred during the same period last year (mainly HBO Canada). Programming costs vary according to the number of subscribers and to Canadian content (Cancon) spending requirements which are calculated as a percentage of the prior year's revenues. These costs have risen mainly as a result of the higher number of subscribers and related revenues generated by the Company's pay networks, as well as increased programming spending requirements for both pay and specialty networks.

As a result, the Television EBITDA (3) for the three- and nine-month periods ended May 31, 2010 increased by 2% and 14% respectively. The EBITDA margin (3) of 38.5% for the quarter is below last year's figure of 40.9% mainly due to higher spending in programming. On a year-to-date basis, the EBITDA margin (3) of 37.4% (4) is above last year's EBITDA margin (3) of 35.8%, mainly due to increased revenues and the absence of costs incurred to launch new services in Fiscal 2010.

Due to the nature of the Company's activities, the depreciation and amortization expense in the Television segment is relatively stable from one year to another.

On May 31, 2010, the Company announced that it will launch a French-language version of the Playhouse Disney channel. Featuring entertaining and learning-based programming for younger audiences, this service features popular programming from Disney together with celebrated Canadian series. The channel is available to Bell TV subscribers across Canada since July 5, 2010.

(1) TVB – Time Sales Survey – May 2010.
(2) BBM results, Québec francophone, cumulative average since September 1, 2009.
(3) See "Supplementary Measures".
(4) The Television EBITDA margin for the nine-month period is calculated excluding the impact of the Part II licence fees accrual reversal of $3.2 million.

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Radio

	3 months			9 months		
(in thousands of $)	2010	2009	% Change	2010	2009	% Change
		(Restated) (1)			(Restated) (1)	
Revenues	89,141	81,630	9%	252,212	246,822	2%
Operating expenses	60,193	54,295	11%	172,151	165,596	4%
Part II licence fees accrual reversal	–	–	–	(8,398)	–	n/a
EBITDA (2)	28,948	27,335	6%	88,459	81,226	9%
Depreciation and amortization	2,867	2,477	16%	8,352	7,430	12%
Restructuring charges	–	–	–	–	2,691	n/a
	26,081	24,858	5%	80,107	71,105	13%
EBITDA margin (2) (3)	*32.5%*	*33.5%*	*-3%*	*31.7%*	*32.9%*	*-4%*

The first half of Fiscal 2010 was a challenging period for Astral Radio where the economic slowdown experienced across Canada was still adversely impacting advertising sales. During the third quarter of Fiscal 2010, the overall radio market in Canada showed signs of increased activity beneficial to radio advertising revenues. As a result, Astral Radio recorded a revenue increase of 9% in the third quarter of Fiscal 2010 compared to the same period last year while the overall radio market in Canada, limited to the footprint where Astral Radio operates, increased by 12%. For the first nine months of Fiscal 2010, Radio advertising revenues increased by 2% while the overall radio market in Canada, limited to the footprint where Astral Radio operates, remained flat.

The Radio group's operating expenses increased by $5.9 million and $6.6 million respectively, for the three- and nine-month periods ended May 31, 2010 as compared to the same periods last year (excluding the Part II licence fees accrual reversal of $8.4 million for the nine-month period). This is mainly due to higher variable costs, as a result of higher revenues, higher branding and programming expenses, and higher investments in Radio's interactive activities following Astral Radio's recent emphasis on building up this part of its business.

This resulted in EBITDA (2) increases of 6% for the third quarter and 9% for the nine-month period, including the Part II licence fees reversal of $8.4 million. Astral Radio's EBITDA margins (2) of 32.5% and 31.7% (3) for the quarter and the nine-month period respectively are below EBITDA margins (2) of 33.5% and 32.9% for the same periods last year mainly due to higher operating expenses as explained above.

The increases in the depreciation and amortization expense of $0.4 million and $0.9 million respectively, for the three- and nine-month periods ended May 31, 2010, are mainly due to higher capital expenditures for infrastructure upgrades during the last twelve months.

(1) See "Restatement of Fiscal 2009 Figures".
(2) See "Supplementary Measures".
(3) The Radio EBITDA margin for the nine-month period is calculated excluding the impact of the Part II licence fees accrual reversal of $8.4 million.

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Out-of-Home

	3 months			9 months		
(in thousands of $)	2010	2009	% Change	2010	2009	% Change
Revenues	19,561	17,757	10%	54,781	51,109	7%
Operating expenses	12,206	11,151	9%	36,556	35,192	4%
EBITDA (1)	7,355	6,606	11%	18,225	15,917	15%
Depreciation and amortization	2,366	1,836	29%	6,638	5,064	31%
	4,989	4,770	5%	11,587	10,853	7%
EBITDA margin (1)	*37.6%*	*37.2%*	*1%*	*33.3%*	*31.1%*	*7%*

In Fiscal 2010, the Company has established Canada's first national digital outdoor advertising network by expanding its innovative technology in Vancouver and Toronto, to complement the ten digital boards already operating in Montreal. Vancouver's Digital network consists of nine digital faces and the Toronto network currently features four digital faces, of which two faces were added during the third quarter. The national Digital network is fully operational since December 2009.

The Out-of-Home segment continued its good performance with revenue increases of 10% for the quarter and 7% on a year-to-date basis. These results are indicative of increased activity for outdoor advertising following the economic slowdown experienced throughout Fiscal 2009 and in the first quarter of Fiscal 2010. The Company's new Digital outdoor advertising network and the TSF contributed significantly to these increases.

The increases in operating expenses of $1.1 million and $1.4 million respectively, for the three- and nine-month periods ended May 31, 2010 are mainly due to higher variable costs and higher commissions on sales which are in line with the increased level of revenues. This resulted in EBITDA (1) increases of $0.7 million and $2.3 million respectively, for the three- and nine-month periods ended May 31, 2010 compared to last year's corresponding periods. As a result, EBITDA margins (1) were 37.6% for the quarter and 33.3% for the nine-month period, representing increases of 0.4 and 2.2 percentage points respectively, in comparison to the same periods last year.

The depreciation and amortization expense of $2.4 million for the quarter and $6.6 million for the nine-month period represent increases of $0.5 million and $1.6 million respectively as compared to last year's figures. This is mainly due to investments in the new Digital outdoor advertising network and to TSF-related asset acquisitions over the last twelve months.

Corporate

	3 months			9 months		
(in thousands of $)	2010	2009	% Change	2010	2009	% Change
Corporate costs	(5,382)	(4,503)	20%	(14,784)	(14,276)	4%
Stock-based compensation	(1,827)	(2,101)	-13%	(6,212)	(5,446)	14%
Corporate EBITDA (1)	(7,209)	(6,604)	9%	(20,996)	(19,722)	6%
Depreciation and amortization	(355)	(192)	85%	(803)	(577)	39%
	(7,564)	(6,796)	11%	(21,799)	(20,299)	7%

(1) See "Supplementary Measures".

Corporate EBITDA (1) charges increased by $0.6 million and $1.3 million respectively for the three- and nine-month periods ended May 31, 2010 compared to the same periods last year. Corporate costs increases in the three- and nine-month periods are mainly due to higher expenses with respect to the Company's new brand identity. The stock-based compensation increase for the nine-month period is mainly related to the Company's deferred share unit plan following an increase in the Company's share price.

Quarterly Performance

Approximately 55% of the Company's annual revenues consist of advertising revenues that tend to follow seasonal patterns, with the second quarter being the least favourable. Subscriber-based revenues, which are more stable on a quarter-to-quarter basis and tend to do better in recessionary periods, represent approximately 45% of the Company's revenues.

It should be noted that Fiscal 2008 advertising revenue, in all three segments of the Company, benefitted from the fact that the Fiscal 2008 broadcasting calendar included one additional week, for a total of 53 weeks compared to 52 weeks in Fiscal 2009, most of the difference being in the fourth quarter which included 98 days in 2008 compared to 92 days in 2009.

Operating expenses are generally stable on a quarter-to-quarter basis as they tend to be incurred evenly throughout the year. The resulting quarterly EBITDA margins (1) will therefore tend to vary on the basis of advertising revenue fluctuations. Quarterly performance should therefore be interpreted taking the above factors into consideration, especially in the second quarter.

The following table highlights the quarterly performance of the Company's operations for the past eight quarters, reflecting seasonal patterns:

	2008 Restated (2)	2009 Restated (2)				2010		
(in thousands of $ except for per-share data)	Q4	Q1	Q2	Q3	Q4 (3)	Q1 (4)	Q2	Q3
Revenues	229,872	244,483	209,278	232,537	219,427	250,685	218,281	253,597
EBITDA (1)	80,321	75,455	59,186	81,834	76,668	96,813	62,587	84,934
Net earnings from continuing operations	40,346	39,605	27,103	44,269	44,257	56,244	33,643	48,457
Basic EPS from continuing operations	0.72	0.71	0.48	0.79	0.79	1.00	0.60	0.86
Diluted EPS from continuing operations	0.71	0.70	0.48	0.78	0.78	0.99	0.59	0.85
Net earnings	38,478	39,605	27,103	44,269	44,257	56,244	33,643	48,457
Basic EPS	0.68	0.71	0.48	0.79	0.79	1.00	0.60	0.86
Diluted EPS	0.68	0.70	0.48	0.78	0.78	0.99	0.59	0.85

(1) See "Supplementary Measures".
(2) Following the adoption of CICA Handbook Section 3064, the Company has restated results of operations for each quarter of Fiscal 2008 and 2009 (see "Restatement of Fiscal 2009 Figures").
(3) Before the impact of the impairment of broadcast licences of $317.5 million, net of future income tax recovery (see "Impairment of Broadcast Licences and Goodwill" in the Company's 2009 Annual Report).
(4) Before impact of future income tax rate changes (see "Income Taxes" and "Supplementary Measures").

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FINANCIAL CONDITION, CASH FLOWS AND LIQUIDITY

	3 months		9 months	
(in thousands of $)	2010	2009	2010	2009
		(Restated) (1)		(Restated) (1)
Cash flow from operations (2)	64,571	58,593	169,868	147,389

(in thousands of $)	May 31 2010	August 31 2009
Cash and cash equivalents	17,457	23,100

Cash flow from operations (2) increased by $6.0 million and $22.5 million respectively for the three- and nine-month periods ended May 31, 2010 as compared to the same periods last year. This resulted from increases in net earnings for both periods ended May 31, 2010 that are mainly explained by increased revenues of $21.1 million and $36.3 million respectively, due to higher both advertising and subscription-related revenues, and to lower interest expense, mainly explained by lower interest rates and debt reimbursements. This is partially offset by higher operating expenses of $18.0 million and $20.0 million respectively for the three- and nine-month periods ended May 31, 2010.

The Company's cash and cash equivalents decreased to $17.5 million as at May 31, 2010 from $23.1 million as at August 31, 2009. This decrease is mainly due to reimbursements of $95.0 million of long-term debt, disbursements of $31.5 million for property, plant and equipment ("Capital Expenditures"), dividend payments of $14.1 million, disbursements of $8.9 million for other intangible and non-current assets, and disbursements of $1.5 million for the repurchase of shares under the Company's normal course issuer bid. This is partially offset by $136.3 million of cash provided by the Company's operating activities in the nine-month period ended May 31, 2010 and by $9.1 million of cash provided by the exercise of stock options.

The Company's financial condition is among the strongest in the industry. Cash flows from operating activities generate sufficient liquidity to cover its known operating and capital requirements, its renewed normal course issuer bid (see "Financing Activities"), its dividend payments, its debt service, its pension plan obligations and its current and longer term commitments.

The main changes to the balance sheet as at May 31, 2010 as compared to August 31, 2009 are as follows: an increase of $31.3 million in accounts receivable mainly due to an increase in revenues in the third quarter of Fiscal 2010 as compared to the fourth quarter of Fiscal 2009; an increase of $10.5 million in Capital Expenditures (see "Investing Activities" section); a decrease of $18.4 million in future income tax assets mainly due to the decrease of Ontario's general corporate income tax rate from 14.0% to 10.0% to be phased in between July 1, 2010 and July 1, 2013 (see "Income Taxes" section); a decrease of $23.1 million in accounts payable and accrued liabilities mainly due to the reversal of $11.6 million of Part II licence fees accrued over the last three years (see "Part II Licence Fees Accrual Reversal" section), and to the payment of certain amounts payable under conditions of CRTC licence acquisitions; a decrease in long-term debt mainly due to reimbursements of $95.0 million during the nine-month period ended May 31, 2010; a decrease of $11.0 million in long-term future income tax liabilities mainly due to the decrease of Ontario's general corporate income tax rate (see "Income Taxes" section); a decrease of $11.4 million in the liability related to derivative financial instruments mainly due to the increase in interest rate; and an increase of $13.3 million in capital stock following the exercise of stock options and the conversion of restricted share units into Class A shares.

(1) See "Restatement of Fiscal 2009 Figures".
(2) See "Supplementary Measures".

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The Company's cash flows from operating, investing and financing activities are summarized in the following table:

	3 months		9 months	
(in thousands of $)	2010	2009	2010	2009
		(Restated) (1)		(Restated) (1)
Cash provided by operating activities	51,268	65,868	136,286	159,194
Cash used for investing activities, excluding net variation of short-term investments (2)	(12,551)	(15,405)	(40,325)	(39,514)
Cash used for financing activities	(54,715)	(53,666)	(101,604)	(87,535)
Net change in cash, cash equivalents, and short-term investments	(15,998)	(3,203)	(5,643)	32,145
Cash, cash equivalents (bank overdraft) and short-term investments – beginning of period	33,455	41,666	23,100	6,318
Cash and cash equivalents – end of period	17,457	38,463	17,457	38,463

OPERATING ACTIVITIES

Cash provided by operating activities for the three- and nine-month periods ended May 31, 2010 decreased by $14.6 million and $22.9 million respectively, as compared to the same periods last year. These decreases are mainly due to higher working capital and other non-cash operating items requirements of $20.6 million and $45.4 million respectively, partially offset by higher cash flows from operations (2) of $6.0 million and $22.5 million respectively. Higher cash flow from operations (2) is mainly explained by increased revenues of $21.1 million and $36.3 million respectively, due to higher both advertising and subscription-related revenues, and to lower interest expense. Higher working capital and other non-cash operating items requirements in both periods are mainly due to higher accounts receivable following the increase in sales, timing differences in the acquisitions and payments of program and film rights, and to higher payments of accounts payable and accrued liabilities.

INVESTING ACTIVITIES

Cash used for investing activities during the three-month period ended May 31, 2010, decreased by $2.9 million as compared to last year's corresponding period. This decrease is due to lower additions to other intangible and non-current assets, consisting mainly of outdoor advertising licence fees and computer software. On a year-to-date basis, cash used for investing activities, excluding the net variation of short-term investments (2), increased by $0.8 million as compared to last year's corresponding period. This slight increase is essentially due to higher additions to other intangible and non-current assets of $3.5 million, consisting mainly of outdoor advertising licence fees and computer software, and is partially offset by the net cash consideration of $2.8 million paid last year in the first quarter of Fiscal 2009 as part of the acquisition of Standard Radio Inc.

(1) See "Restatement of Fiscal 2009 Figures".
(2) See "Supplementary Measures".

The following table details the Capital Expenditures by segment for the three- and nine-month periods ended May 31:

	3 months			9 months		
(in thousands of $)	2010	2009	% Change	2010	2009	% Change
Capital Expenditures		(Restated) (1)			(Restated) (1)	
Television	3,235	1,374	35%	4,984	4,789	4%
Radio	1,240	1,217	2%	3,128	4,660	-33%
Out-of-Home	4,449	6,932	-36%	18,824	18,007	5%
Corporate	1,777	233	663%	2,489	523	376%
Total Capital Expenditures	10,701	9,756	10%	29,425	27,979	5%

Capital Expenditures for the three- and nine-month periods ended May 31, 2010 were $10.7 million and $29.4 million respectively as compared to $9.8 million and $28.0 million spent in the same periods of Fiscal 2009. The most significant Capital Expenditures pertain to TSF-related structures, the outdoor Digital network, other outdoor advertising structures, high-definition and other broadcasting equipment, as well as computer equipment. The decrease in Out-of-Home's Capital Expenditures in the third quarter of Fiscal 2010 as compared to the same period last year is mainly explained by lower spending for Digital advertising structures. Increases of $1.9 million and $1.5 million in Television and Corporate during the quarter are explained by the move of the Company's executive offices and, for the Corporate, by the implementation of a new centralized corporate data center. The decrease in Radio for the nine-month period ended May 31, 2010, as compared to the same period last year, is mainly due to lower investments in miscellaneous equipments and leasehold improvements.

The unaudited interim consolidated statements of cash flows for the three- and nine-month periods ended May 31, 2010 exclude additions to Capital Expenditures of $0.3 million that were unpaid as at that date (no exclusions for the three- and nine-month periods ended May 31, 2009) and include additions to Capital Expenditures of $0.9 million and $2.3 million that were unpaid as at February 28, 2010 and August 31, 2009 respectively (include additions of $1.6 million and $3.4 million that were unpaid as at February 28, 2009 and August 31, 2008 respectively for the three- and nine-month periods ended May 31, 2009).

Overall cash to be spent on Capital Expenditures, other intangible and non-current assets in Fiscal 2010 is estimated to be around $65.0 million. Spending will be concentrated in the Out-of-Home segment, mainly for TSF-related structures and for the new Digital outdoor advertising network.

FINANCING ACTIVITIES

Cash used for financing activities in the third quarter of Fiscal 2010 was $54.7 million compared to $53.7 million for the same period last year for an increase of $1.0 million. During the quarter, the Company reimbursed $55.0 million of its long-term debt, which equals the reimbursements made during the same period last year. The increase of $1.0 million in cash used in financing activities is mainly due to $0.7 million for the repurchase of shares under the Company's normal course issuer bid and to lower proceeds received from the exercise of stock options. On a year-to-date basis, cash used in financing activities increased by $14.1 million due to higher repayments of long-term debt of $20.0 million, to $1.5 million for the repurchase of shares by the Company, partly offset by higher proceeds of $7.6 million from the exercise of stock options.

(1) See "Restatement of Fiscal 2009 Figures".

On December 9, 2009, the Company announced the renewal of its normal course issuer bid. Under the terms of this renewal, the Company is authorized to repurchase for cancellation up to 1,338,192 Class A shares and 69,616 Class B shares, both quantities representing 2.5% of the outstanding shares as at November 30, 2009 for their respective class of shares. The share repurchase program is being conducted over a maximum period of 12 months which began on December 15, 2009. During the three- and nine-month periods ended May 31, 2010, the Company repurchased a total of 19,100 Class A shares for a total cash consideration of $0.7 million.

On December 9, 2008, the Company announced the renewal of its normal course issuer bid to repurchase for cancellation up to 2,665,620 Class A shares and 139,234 Class B shares, both quantities representing no more than 5% of the outstanding shares as at November 30, 2008 for their respective class of shares. The share repurchase program was conducted over a maximum period of 12 months which ended on December 14, 2009. During the term of this renewed bid, the Company did not repurchase any shares in Fiscal 2009 and repurchased 27,200 Class A shares for a total consideration of $0.8 million during the nine-month period ended May 31, 2010.

Capital Structure

In the management of capital, the Company includes long-term debt and shareholders' equity (excluding accumulated other comprehensive income (loss)) as well as cash and cash equivalents (bank overdraft), and short-term investments in its definition of capital. The Company's overall capital management objectives are to create shareholder value through organic growth of its operations and through accretive acquisitions, and to maintain the most optimal capital structure in order to minimize its cost of capital.

As at May 31, 2010, the Company's capital structure consisted of shareholders' equity in the amount of $1,319 million, borrowings under the Facility (as defined below) in the amount of $600.0 million and cash and cash equivalents of $17.5 million. The unused portion of the Facility amounted to $155.7 million ($175.0 million less $19.3 million of outstanding letters of credit). As at May 31, 2010, there were no off-balance sheet liabilities. The number of outstanding Class A and Class B shares of the Company increased from a total of 56.2 million shares as at August 31, 2009 to 56.6 million shares as at May 31, 2010, mainly due to the exercise of stock options and to the conversion of restricted share units into Class A shares.

The following table presents additional share information:

Outstanding as at:	June 30, 2010	May 31, 2010	August 31, 2009
Class A shares	53,829,008	53,830,958	53,388,843
Class B shares	2,758,672	2,758,672	2,784,672
Special shares	65,000	65,000	65,000
Employee stock options	3,165,371	3,165,921	3,154,763
Restricted share units	282,800	282,800	303,800

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Company reviews the amount of dividends to be paid to shareholders annually and periodically decides to repurchase its shares on the marketplace and/or to reimburse debt.

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On October 29, 2007, the Company established a $1.0 billion credit facility (the "Facility") with a syndicate of financial institutions, which has been reduced to $775.0 million as at May 31, 2010 following repayments. The Facility has a five-year term which started on October 29, 2007 and borrowings under the Facility can be in the form of bankers' acceptances, Canadian prime-rate loans, US base-rate loans or LIBOR loans, and bear interest accordingly, plus a premium based on certain financial ratios.

As at May 31, 2010, total borrowings under the Facility amounted to $600.0 million ($695.0 million as at August 31, 2009), excluding $19.3 million of outstanding letters of credit ($19.3 million as at August 31, 2009), and bear a weighted-average interest rate of 3.4% (3.8% as at August 31, 2009) after reflecting the effect of the interest-rate swap agreement described below. The Company fully guarantees the Facility on an unsecured basis and also has a prepayment option without penalty that can be exercised at any time during the term of the Facility. Under the terms of the Facility, the Company has no repayment obligations before October 29, 2012 and is required to comply with certain financial ratios. The Company has been in compliance with these financial ratios and all other covenants since the establishment of the Facility.

Borrowings under the Company's floating rate Facility are subject to interest rate fluctuations. To manage the interest-rate risk exposures related to the Facility, on October 29, 2007 the Company entered into an interest-rate swap agreement with a large Canadian bank (the "Agreement") covering part of its long-term debt. The Company does not use derivative financial instruments for trading or speculative purposes. The Agreement is based on an initial nominal amount of $750.0 million which is being reduced periodically ($343.9 million as at May 31, 2010) based on a predetermined schedule, until its maturity on May 29, 2012. Under the Agreement, the Company pays interest based on a fixed rate of 4.6% and receives interest based on floating 30-day bankers' acceptances rates. The Company elected to apply cash flow hedge accounting on this derivative financial instrument. Based on the current market value of the derivative financial instrument, an unrealized non-cash income of $11.5 million ($8.2 million net of income taxes), representing the change in market value since August 31, 2009, has been recorded in the unaudited interim consolidated statement of comprehensive income for the nine-month period ended May 31, 2010.

During the second quarter of Fiscal 2010, the Company extended, from five to seven years, the term of the 589,330 outstanding Class A stock options granted between December 13, 2004 and December 12, 2008 to non-insider employees. The extension of the term of these options increased the fair value of such options by a range of $0.26 to $4.05 per option resulting in an additional stock-based compensation expense of $0.6 million for the nine-month period ended May 31, 2010.

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BUSINESS DEVELOPMENTS

On May 31, 2010, the Company announced that it will launch a French-language version of the Playhouse Disney channel. Featuring entertaining and learning-based programming for younger audiences, this service features popular programming from Disney together with celebrated Canadian series. The channel is available to Bell TV subscribers across Canada since July 5, 2010.

On May 27, 2010, the Company unveiled 99.7 EZ ROCK in Ottawa as the National Capital Region's new "At Work" radio station – designed by women, for women. The best soft rock and pop rock music from the past five decades is the primary content behind its mainstream adult contemporary format.

On May 27, 2010, the Company announced the launch of its new brand identity. As one of Canada's leading media companies, Astral made a strategic decision to refresh its visual identity in 2010 to reflect its new corporate profile, evolving culture and expansion across Canada. The Company will now operate publicly under the Astral name while the legal corporate name remains Astral Media Inc.

On April 23, 2010, the CRTC approved the Company's application for two broadcasting licences that could be offered in both standard and high-definition version: i) TV-Time, a national English-language Category 2 specialty programming undertaking devoted to action and adventure programming from contemporary action and adventure films and series to classical westerns, rodeo and western horse shows; ii) Superstar, a national English-language Category 2 specialty programming undertaking devoted to romance, including relationship-themed game shows and magazine-style programs featuring romantic vacation resort, as well as programs exploring romantic moments in people's live, classic romantic feature films, epic mini-series and made-for-television movies. The Company is aiming to launch these networks as market conditions permit.

On March 8, 2010, the Company announced an agreement with Emmis Interactive, Inc. ("Emmis") whereby Emmis will provide its successful interactive platform and sales consulting services to Astral as part of Astral Radio's renewed emphasis on building up its Interactive business.

On December 26, 2009, the Company launched a new radio format on 97.3 FM in Toronto. The radio station formerly known as EZ Rock underwent a format flip, and adopted a new name, boom 97.3, and a revised personality lineup.

On November 30, 2009, the Company announced the return of the show "Les Grandes Gueules" on the NRJ network. After a three-year hiatus, the trio "Les Grandes Gueules" is back behind the microphone since January 18, 2010. The history of "Les Grandes Gueules" on NRJ is an unprecedented radio success, encompassing a 15-year career with record ratings unrivalled anywhere else in Canada.

In October 2009, the Company established Canada's first national digital outdoor advertising network by expanding its innovative technology in Vancouver and Toronto, to complement ten digital boards already operating in Montreal. Vancouver's Digital network consists of nine digital faces and the Toronto network currently features four digital faces. The national Digital network is fully operational since December 2009.

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RISKS, UNCERTAINTIES AND OPPORTUNITIES

The Company faces a number of risks and uncertainties which, in many cases, also represent opportunities for its businesses. Additional risks and uncertainties, not presently known to the Company, or that the Company does not currently anticipate to be material, may impair its business operations. If any such risks materialize, the Company's business, financial condition and operating results could be adversely affected in a material way.

The Company's risks, uncertainties and opportunities have not materially changed during the last quarter. The following are updates to the risks, uncertainties and opportunities described in the MD&A included in the Company's 2009 Annual Report.

REGULATED ENVIRONMENT

Copyright Board Decision

In December 2008, the Copyright Board held a consolidated proceeding to hear five copyright tariff proposals for commercial radio for the calendar year 2008 and beyond. Subsequent to the end of the quarter, on July 9, 2010, the Copyright Board issued its commercial radio tariff decision for the use of music covering both the performance rights and the reproduction rights, which calls for the introduction of two new regulated tariffs to be paid to AVLA/SOPROQ and to Artisti, and sets increased royalties to be paid to CSI, all retroactive to January 1, 2008. The Copyright Board decision calls for the rates under tariffs for SOCAN and Sound (formerly NRCC) to remain unchanged until December 31, 2010 and December 31, 2011 respectively.

As of May 31, 2010, the overall impact of the decision on the Company's earnings, resulting mostly from royalties payable under the new tariffs for AVLA/SOPROQ and Artisti, is an estimated reduction of $9.0 million ($6.2 million net of income taxes) and will be recorded in the fourth quarter of Fiscal 2010. On an annualized basis, the impact on the Company's earnings is an estimated reduction of approximately $4.3 million ($3.0 million net of income taxes).

Part II Licence Fees

In October 2009, the CAB announced a settlement agreement with the Government of Canada pertaining to the regulation of Part II licence fees. Consequently, the Company reversed accrued fee expenses of $11.6 million in the first quarter of Fiscal 2010 (see "Part II Licence Fees Accrual Reversal" section).

Regulatory Framework Amendments

The current regulatory framework for broadcast distribution undertakings ("BDU") and discretionary programming services, namely pay and specialty services was set in 2008 (BPN CRTC 2008-100) and responds to the CRTC's objective of reducing regulations to the minimum essential to achieve the objectives of the *Broadcasting Act* and to rely instead on market forces wherever possible. Most provisions will come into force on August 31, 2011 which coincides with the end of analog over-the-air broadcasting in Canada.

Discretionary services known as Category A services (former analog and Category 1 services) benefit from genre exclusivity and access distribution, except for mainstream sports and news services. The CRTC is also open to consider increased competition in other existing genres taking into account various criteria including the economic health of existing services and the consequences that might result from the introduction of competition. Once a genre is opened to competition, the competing services no longer benefit from access rights.

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On January 27, 2010, the CRTC called for comments on opening up the general interest pay services genre to competition in the French-language market and on proposed conditions of licence for competing Canadian general interest pay services in the French-language market. This proceeding could result in the creation of a direct competitor to the Company's general interest French-language pay service Super Écran.

The CRTC is expected to shortly issue a new regulatory framework for video-on-demand services, including the possibility for discretionary services to offer their programming on demand.

On March 22, 2010, the CRTC issued its determination on issues relating to a group-based approach to the licensing of large English-language private television ownership groups as well as the revenue support for English- and French-language conventional television broadcasters (Broadcasting Regulatory Policy CRTC 2010-167). The appropriate approach for the French-language conventional television sector and the relevance of a group-based approach will be considered at the next licence renewal proceeding for TVA and V to take place in 2011.

The large English-language private ownership groups that control both conventional stations and specialty services (CTV, Canwest and Rogers) will be required to spend at least 30% of their overall gross revenues on Canadian programming; in order to meet this obligation, ownership groups will have the flexibility to shift resources among their conventional and specialty services. The Canadian content exhibition requirement for English and French conventional television stations will be lowered from 60% to 55% during the broadcast year. Exhibition requirements for specialty television stations will continue to be set on a case-by case basis. News and sports specialty services, pay per view and VOD services are excluded from the framework. The CRTC will hold licence renewal hearings for the largest English-language private ownership groups in 2011.

The CRTC has specified that a modified group-based approach with associated flexibility could apply to other ownership groups, including those controlling multiple specialty and pay services such as Astral, and it will consider licence amendments to allow flexibility in the allocation of Canadian spending requirements.

The potential impact of the new group-based approach to the licensing of private television services on the Company's financial results cannot be determined until the new measures are implemented.

The CRTC will eliminate the Canadian Media Fund licence-fee top-up as an eligible Canadian expense to all specialty services with Canadian Programming Expenditure ("CPE") requirements and will, at the time of the licence renewals for all specialty services, consider requests to adjust required CPE levels. The changes will only take effect upon licence renewal.

The CRTC has also determined that private conventional television will be permitted to negotiate with BDUs for the value of the distribution of their programming services; in the event that the parties cannot agree, the station could require the BDU to delete the programming exhibited by the station. The CRTC has initiated a reference to the Federal Court of Appeal seeking clarification on its jurisdiction under the *Broadcasting Act* to implement such a negotiation regime and has asked the Court to consider its request on an expedited basis.

The Local Programming Improvement Fund (LPIF) will be maintained at its current level of 1.5% of the BDUs' gross revenues in support of local television in markets of less than one million of population. The CRTC has announced it would conduct a comprehensive review of the LPIF in 2011-2012.

The CRTC will allow increased advertising on the VOD platform; however, VOD licensees may only advertise in programming for which the VOD rights have been acquired from (a) a licensed Canadian broadcaster unrelated to the VOD undertaking, or (b) a related broadcaster that has also acquired the linear rights to the program. The CRTC has further determined that advertising on the VOD platform shall not be restricted to new forms of advertising. The CRTC intends to impose a condition of licence on VOD undertakings at their next licence renewals prohibiting them from offering a non-Canadian subscription VOD (SVOD) package that is directly competitive with a Canadian linear discretionary service. This condition of licence will also apply to Canadian VOD packages that might compete directly with genre-protected Canadian discretionary services. The details of its decision are set out in the Broadcasting Regulatory Policy 2010-190. The CRTC has decided to maintain its current policy with respect to the use of local availabilities as set out in Broadcasting Public Notice 2006-69.

Other Matters

On March 3, 2010, the Federal Government announced in the Speech from the throne its intention to liberalize the foreign ownership restrictions in the satellite and telecommunications industries. On June 11, 2010 the Minister of Industry launched a public consultation on foreign investment restrictions in the telecommunications sector. The following three options are presented for consideration: i) increase the limit for direct foreign investment in broadcasting and telecommunications common carriers to 49 percent; ii) lift restrictions on telecommunications common carriers with a 10% market share or less, by revenue; or iii) remove telecommunications restrictions completely. The consultation will run until July 30, 2010. The potential impact of such a review on the Canadian broadcasting sector and on the Company cannot be determined until a final decision on these matters will be rendered.

On June 2, 2010, the Federal Government introduced legislation to modernize Canadian copyright law (Bill C-32, *An Act to amend the Copyright Act)*. Bill C-32 amends the *Copyright Act* in order to, amongst other things: i) update the rights and protections of copyright owners to better address the challenges and opportunities of the Internet, so as to be in line with international standards; and ii) permit businesses to make greater use of copyright material in digital form. The potential impact of Bill C-32 on the Canadian broadcasting sector and on the Company cannot be determined until the adoption of the Bill.

Management constantly monitors the regulatory environment to identify risks and opportunities resulting from any changes.

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ACCOUNTING MATTERS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company's significant accounting policies are presented in Note 1 to the audited consolidated financial statements for the year ended August 31, 2009.

NEW ACCOUNTING POLICIES

The Company's accounting policies were unchanged in the first nine months of Fiscal 2010, with the exception of the adoption of new accounting policies on goodwill and intangible assets.

Effective September 1, 2009, the Company adopted, retroactively with restatement of prior period amounts, the following CICA recommendations:

- Section 3064, *Goodwill and Intangible Assets*, which replaced Section 3062, *Goodwill and Other Intangible Assets*, Section 3450, *Research and Development* and EIC-27, *Revenues and Expenditures during the Pre-operating Period*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Following the adoption of Section 3064, the Company reclassified the net carrying value of computer software that met the definition of intangible assets from property, plant and equipment to other intangible and non-current assets on the consolidated balance sheets. The amortization expense related to these assets previously recorded in depreciation was reclassified as amortization of intangible assets on the unaudited interim consolidated statements of earnings. The Company also wrote off start-up and business pre-operating costs and related future income tax liabilities through opening retained earnings. The prior year's net earnings for the three- and nine-month periods ended May 31, 2009 were restated to recognize business pre-operating costs of new services as operating expenses, to eliminate the amortization of business pre-operating costs and to reverse the future income tax expense related to such business pre-operating costs in the unaudited interim consolidated statement of earnings.

Following the adoption of Section 3064, cumulative adjustments to the consolidated balance sheet as at August 31, 2009 and to the unaudited interim consolidated statements of earnings and cash flows for the three- and nine-month periods ended May 31, 2009, are summarized in Note 1.b) to the unaudited interim consolidated financial statements for the three- and nine-month periods ended May 31, 2010.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, Canada's Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company will thus apply IFRS in Fiscal 2012 and will issue its consolidated financial statements in accordance with IFRS, including Fiscal 2011 comparative figures using the same reporting standards, starting September 1, 2011.

In order to prepare for the initial opening comparative balance sheet under IFRS on September 1, 2010 (the "Effective Date"), the Company is following a three-phase transition plan: initial diagnostic and assessment, in-depth analysis and implementation. The Company has completed the initial high-level diagnostic and a preliminary IFRS impact assessment was conducted to classify the impact of individual IFRS items on the Company's consolidated financial statements as high, moderate or low.

The second phase began in the first quarter of Fiscal 2010 and its completion is planned for the first quarter of Fiscal 2011. In this phase, the Company is performing a detailed analysis of IFRS, including the identification of the differences between IFRS and Astral's current accounting policies, in order to prioritize the key areas that will be more

significantly impacted by the changeover, and to determine the options permitted under IFRS at the Effective Date and on an ongoing basis in order to finalize conclusions.

This phase also includes detailed planning of information technology and human resources as they relate to the changeover. Moreover, internal procedures and systems that require updating and adapting will be identified, including adjustments to existing and the implementation of additional internal controls over financial reporting and disclosure controls and procedures that are necessary to certify financial reporting during the changeover and post-implementation periods.

Finally, in the third phase, the Company will implement the accounting changes and the required modifications to internal procedures, controls and systems so that they are in place and operating effectively for first fiscal year under IFRS.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In the period leading to the changeover, AcSB will continue to issue new accounting standards that are aligned with IFRS, which will reduce the impact of adopting IFRS on the Effective Date. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period. As a result of the upcoming changes, the final impact of IFRS on the Company's consolidated financial statements can only be determined once all of the IFRS applicable at the Effective Date are known.

Based on its initial assessment, the Company has identified the following list of International Accounting Standards pronouncements that differ from Canadian GAAP and that could impact the Company's consolidated financial statements. The list of items should not be seen as exhaustive and is subject to change following the completion of the second phase of our transition plan and potential modifications to IFRS prior to adoption by the Company:

i) First-time adoption of IFRS;
ii) Financial statement presentation and disclosure;
iii) Asset impairment;
iv) Employee benefits;
v) Share-based payments;
vi) Property, plant and equipment;
vii) Income taxes;
viii) Provisions and contingencies.

At this point, Astral has assessed some of the exemptions from full retrospective application available under IFRS 1 – *First time adoption of IFRS* on the Effective Date and their potential impact on the Company's consolidated financial statements. Astral expects to use the following significant exemption at the Effective Date:

IFRS 1 Exemption	Significant Impact
1. Employee Benefits	Astral expects to apply the exemption giving the Company the ability to record net cumulative actuarial gains and losses on the Effective Date related to Astral's pension plans through opening retained earnings.
2. Business Combinations	Astral expects to apply the exemption whereby the Company is given the ability of not re-opening purchase price allocations regarding business acquisitions which were completed prior to September 1, 2010.

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Pursuant to its transition plan, the Company also analyzed some of the identified differences itemized in the list above. Significant accounting differences regarding recognition, measurement, presentation and disclosure between Canadian GAAP and IFRS for the items analyzed to date are as follows:

Accounting Items	Significant Differences Identified
1. Employee Benefits	• Astral's accounting measurement date will be August 31 under IFRS compared to a measurement date of June 30 under Canadian GAAP. • After the Effective Date, Astral will recognize its future pension plans' actuarial gains and losses through other comprehensive income with no impact on earnings, while under Canadian GAAP, the Company is using the corridor method to amortize actuarial gains and losses through earnings. • After the Effective Date, Astral will determine pension costs using a fair value of plan assets approach, while under Canadian GAAP Astral is using a market-related value approach to determine the pension costs. • Additional disclosure will be required under IAS 19, including disclosure of employee benefits for key management personnel as required under IAS 24 – Related Party Transactions.
2. Income Taxes	• On and after the Effective Date, Astral will measure deferred tax assets and liabilities for indefinite-life intangible assets using the effective tax rates derived from the relevant tax structure, while under Canadian GAAP, Astral is using normal business income tax rates. • Additional disclosures will be required under IFRS such as explanations for the variation of the statutory income tax rate from one period to another. • All deferred tax balances will be classified as non-current.
3. Impairment of Assets	• Under IFRS, impairment testing of indefinite-life intangible assets has to be executed at the lowest level where cash is independently generated while under Canadian GAAP, aggregation of such assets is permitted. Therefore, determination of testing levels will impact Astral as the Company will need to perform its impairment tests at lower levels than are currently tested. • Additional disclosures will be required under IFRS such as a description of cash-generating units, discount rate and other significant assumptions used.

The above table of significant differences addresses only the items analyzed to date and should not be seen as exhaustive, and is subject to change following the completion of the second phase of our transition plan and potential modifications to IFRS prior to adoption by the Company.

As the Company assesses its IFRS requirements, adjustments to internal controls over financial reporting and disclosure controls and procedures will be needed and new controls could be necessary.

The Company has secured the appropriate internal and external resources to complete the transition plan on a timely basis. Astral will also provide sufficient training sessions to all relevant resources. During the transition, Astral will monitor ongoing changes to IFRS and adjust the transition plan accordingly. Management is providing the Audit Committee with timely project status updates as well as indications, decisions and conclusions regarding IFRS options. Astral’s transition status is currently on track with its implementation schedule which calls for initial reporting under IFRS starting September 1, 2011. With the exception of their potential impact on the accounting for employee benefits, for the impairment of assets, and related income taxes, which cannot yet be determined and quantified, the adoption of IFRS standards is not currently expected to have a material impact on the Company’s financial statements as of the Effective Date of the changeover.

As disclosed in the Capital Structure section, the Company is required to comply with certain financial ratios under the terms of its Facility. The Company does not believe that the implementation of IFRS analyzed to date will have a significant impact on those financial ratios.

Additional disclosure on the impact of the adoption of IFRS on Astral’s consolidated financial statements will be provided in future MD&As.

FUTURE ACCOUNTING CHANGES

The Company believes that the future adoption of the following CICA recommendations will have an impact on the Company’s future financial statements:

i) Section 1582, *Business Combinations*, was issued and replaces Section 1581, *Business Combinations*. This new section establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed.

ii) Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*, were issued and together replace Section 1600, *Consolidated Financial Statements*. These new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Company is required to apply Sections 1582, 1601 and 1602 prospectively as of September 1, 2011. Section 1582 is the Canadian equivalent to IFRS 3(R), *Business Combinations*. Section 1602 is the Canadian equivalent to the corresponding provisions of IFRS IAS 27, *Consolidated and Separate Financial Statements*.

The Company is in the process of evaluating the requirements of Sections 1582, 1601 and 1602, and their potential impact on the Company’s future consolidated financial statements.

INTER-COMPANY AND RELATED-PARTY TRANSACTIONS

Inter-company and related-party transactions and balances between companies and divisions owned by the Company are eliminated upon consolidation for subsidiaries and on a pro-rata basis for joint ventures. There are no other significant related-party transactions to report.

SUPPLEMENTARY MEASURES

In addition to discussing earnings measures in accordance with GAAP, this MD&A provides the following supplementary measures which are also factors used by management in monitoring and evaluating the performance of the Company and its business segments:

EBITDA (earnings before interest, taxes, depreciation and amortization) is provided to assist investors in determining the ability of the Company to generate cash flow from operating activities and to cover financial charges. Other items such as restructuring charges are excluded from earnings in the determination of EBITDA as they are not considered to be in the ordinary course of business. EBITDA is also an indicator widely used for business valuation purposes. EBITDA margin is defined as the ratio obtained by dividing EBITDA by revenues.

The following table reconciles GAAP measures disclosed in the unaudited interim consolidated statements of earnings for the periods ended May 31, 2010 and 2009 to EBITDA:

	3 months		9 months	
(in thousands of $)	2010	2009	2010	2009
		(Restated) (1)		(Restated) (1)
Earnings before income taxes	70,404	65,459	200,983	164,423
Depreciation and amortization	8,021	6,833	23,039	19,755
Interest expense, net	6,509	8,926	20,312	28,990
Restructuring charges	–	616	–	3,307
EBITDA	84,934	81,834	244,334	216,475

Net earnings and basic earnings per share before the impact of future income tax rate changes. These measures provide an indication of the Company's ability to generate earnings and cash flows from its ongoing operations, by excluding the non-cash future income tax recovery or expense resulting from income tax rate changes over which the Company has no control.

The following tables reconcile GAAP measures disclosed in the unaudited interim consolidated statements of earnings for the periods ended May 31, 2010 and 2009 to net earnings and basic earnings per share, before the impact of future income tax rate changes.

	3 months		9 months	
(in thousands of $)	2010	2009	2010	2009
		(Restated) (1)		(Restated) (1)
Net earnings	48,457	44,269	146,741	110,977
Future income tax recovery resulting from income tax rate changes	–	–	(8,397)	–
Net earnings before the impact of future income tax rate changes	48,457	44,269	138,344	110,977

(1) See "Restatement of Fiscal 2009 Figures".

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(in dollars)	3 months 2010	3 months 2009	9 months 2010	9 months 2009
		(Restated) (1)		(Restated) (1)
Basic earnings per share	0.86	0.79	2.60	1.98
Impact of future income tax rate changes	–	–	(0.15)	–
Basic earnings per share, before the impact of future income tax rate changes	0.86	0.79	2.45	1.98

Cash flow from operations is defined as cash provided by operating activities before the net change in non-cash operating items. This measure provides an indication of the Company's ability to generate cash flows without considering certain timing and other factors causing variations in non-cash operating items.

The following table reconciles GAAP measures disclosed in the unaudited interim consolidated statements of cash flows for the periods ended May 31, 2010 and 2009 to cash flow from operations:

(in thousands of $)	3 months 2010	3 months 2009	9 months 2010	9 months 2009
		(Restated) (1)		(Restated) (1)
Cash provided by operating activities	51,268	65,868	136,286	159,194
Net change in non-cash operating items	13,303	(7,275)	33,582	(11,805)
Cash flow from operations	64,571	58,593	169,868	147,389

Cash used for investing activities, excluding net variation of short-term investments provides an indication of the Company's use of cash flows for the acquisition of long-term assets. Also, the Company does not consider the variation of short-term investments as investing activities as they can be cashed on demand to meet future financial obligations.

The following table reconciles GAAP measures disclosed in the unaudited interim consolidated statements of cash flows for the periods ended May 31, 2010 and 2009 to cash used for investing activities, excluding variation of short-term investments:

(in thousands of $)	3 months 2010	3 months 2009	9 months 2010	9 months 2009
		(Restated) (1)		(Restated) (1)
Cash used for investing activities	(12,551)	(15,405)	(40,325)	(29,552)
Net variation of short-term investments	–	–	–	(9,962)
Cash used for investing activities, excluding net variation of short-term investments	(12,551)	(15,405)	(40,325)	(39,514)

The above supplementary measures do not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

(1) See "Restatement of Fiscal 2009 Figures".

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CONTROLS AND PROCEDURES

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company and its subsidiaries is made known to them and have designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its consolidated financial statements.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company deem the design of disclosure controls and procedures and the design of ICFR to be adequate, as at May 31, 2010.

The President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer have also evaluated whether there were changes in the Company's ICFR in the quarter ended May 31, 2010, that have materially affected, or are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

ASTRAL MEDIA INC.
Notice of Disclosure of Non-auditor Review of Interim Financial Statements for the periods ended May 31, 2010 and 2009

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company for the interim periods ended May 31, 2010 and 2009, have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management.

The Company's independent auditors, Ernst & Young LLP, have not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Dated this 15th day of July, 2010.

ASTRAL MEDIA INC.
Interim Consolidated Statements of Earnings
for the periods ended May 31, 2010 and 2009
(in thousands of Canadian dollars except for per-share data)
(unaudited)

		3 months		9 months	
	Notes	2010	2009	2010	2009
			(Restated – see Note 1.b))		*(Restated – see Note 1.b))*
Revenues		$ 253,597	$ 232,537	$ 722,563	$ 686,298
Operating expenses	13	168,663	150,703	478,229	469,823
		84,934	81,834	244,334	216,475
Depreciation		6,459	5,627	18,886	16,245
Amortization of intangible assets		1,562	1,206	4,153	3,510
Interest expense, net	2	6,509	8,926	20,312	28,990
Restructuring charges		–	616	–	3,307
Earnings before income taxes		70,404	65,459	200,983	164,423
Income tax provision before undernoted		21,947	21,190	62,639	53,446
Future income tax recovery resulting from income tax rate changes	3	–	–	(8,397)	–
		21,947	21,190	54,242	53,446
Net earnings		$ 48,457	$ 44,269	$ 146,741	$ 110,977
Earnings per share	10				
- Basic		$ 0.86	$ 0.79	$ 2.60	$ 1.98
- Diluted		$ 0.85	$ 0.78	$ 2.57	$ 1.96

See accompanying notes.

ASTRAL MEDIA INC.
Interim Consolidated Statements of Cash Flows
for the periods ended May 31, 2010 and 2009
(in thousands of Canadian dollars)
(unaudited)

	Notes	3 months 2010	3 months 2009	9 months 2010	9 months 2009
Cash and cash equivalents provided by (used for):			*(Restated – see Note 1.b))*		*(Restated – see Note 1.b))*
OPERATING ACTIVITIES					
Net earnings		$ 48,457	$ 44,269	$ 146,741	$ 110,977
Non-cash charges (credits):					
Part II licence fees accrual reversal	13	–	–	(11,552)	–
Stock-based compensation costs	10, 11	1,334	1,505	4,805	4,771
Depreciation and amortization		8,021	6,833	23,039	19,755
Imputed interest on other non-current liabilities	2	558	584	1,641	1,903
Amortization of deferred financing costs		173	172	515	515
Future income tax expense before undernoted		6,028	5,230	13,076	9,468
Future income tax recovery resulting from income tax rate changes	3	–	–	(8,397)	–
		64,571	58,593	169,868	147,389
Net change in non-cash operating items	4	(13,303)	7,275	(33,582)	11,805
Cash provided by operating activities		51,268	65,868	136,286	159,194
INVESTING ACTIVITIES					
Short-term investments - cashed		–	–	–	9,962
Additions to property, plant and equipment		(11,388)	(11,324)	(31,471)	(31,351)
Additions to other intangible and non-current assets		(1,163)	(4,081)	(8,854)	(5,376)
Business acquisition, net of cash acquired		–	–	–	(2,787)
Cash used for investing activities		(12,551)	(15,405)	(40,325)	(29,552)
FINANCING ACTIVITIES					
Repayment of long-term debt	9	(55,000)	(55,000)	(95,000)	(75,000)
Stock options exercised	10	954	1,338	9,068	1,503
Shares repurchased	10	(665)	–	(1,523)	–
Dividends		(4)	(4)	(14,149)	(14,038)
Cash used for financing activities		(54,715)	(53,666)	(101,604)	(87,535)
Net change in cash and cash equivalents		(15,998)	(3,203)	(5,643)	42,107
Cash and cash equivalents (bank overdraft) – beginning of period		33,455	41,666	23,100	(3,644)
Cash and cash equivalents – end of period		$ 17,457	$ 38,463	$ 17,457	$ 38,463

See accompanying notes and supplementary cash flow information (Note 4).

ASTRAL MEDIA INC.
Interim Consolidated Balance Sheets as at
(in thousands of Canadian dollars)
(unaudited)

	Notes	May 31, 2010	August 31, 2009 *(Restated – see Note 1.b))*
ASSETS			
Current			
Cash and cash equivalents		$ 17,457	$ 23,100
Accounts receivable		175,086	143,803
Program and film rights	7	108,410	92,545
Prepaid expenses and other current assets		26,763	27,904
		327,716	287,352
Program and film rights	7	52,809	61,219
Property, plant and equipment		162,177	151,637
Broadcast licences	8	1,413,059	1,408,037
Goodwill		356,945	356,945
Other intangible and non-current assets		59,865	50,894
Future income tax assets		61,097	79,522
		$ 2,433,668	$ 2,395,606
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 115,645	$ 138,771
Income taxes payable		20,511	12,191
Program and film rights payable		63,668	58,220
Future income tax liabilities		4,993	4,481
		204,817	213,663
Long-term debt	9	598,276	692,761
Future income tax liabilities		232,355	243,353
Other non-current liabilities		75,976	65,267
Derivative financial instruments		10,953	22,377
		1,122,377	1,237,421
SHAREHOLDERS' EQUITY			
Capital stock	10	766,328	753,028
Contributed surplus	11	16,986	17,068
Retained earnings		535,922	404,198
Accumulated other comprehensive loss	12	(7,945)	(16,109)
		527,977	388,089
		1,311,291	1,158,185
		$ 2,433,668	$ 2,395,606

Contingencies (Note 13).
Subsequent Event (Note 14).
See accompanying notes.

ASTRAL MEDIA INC.
Interim Consolidated Statements of Retained Earnings for the periods ended May 31, 2010 and 2009
(in thousands of Canadian dollars)
(unaudited)

	Notes	3 months 2010	3 months 2009 *(Restated – see Note 1.b))*	9 months 2010	9 months 2009 *(Restated – see Note 1.b))*
Retained earnings – beginning of period (May 31, 2009 – as previously reported)		$ 487,863	$ 654,463	$ 411,079	$ 597,188
Adjustment to the opening balance due to the adoption of an accounting policy	1	–	(7,252)	(6,881)	(2,651)
Retained earnings – beginning of period (May 31, 2009 – as restated)		487,863	647,211	404,198	594,537
Net earnings (May 31, 2009 – as previously reported)		48,457	44,303	146,741	115,612
Net impact of the adoption of an accounting policy	1	–	(34)	–	(4,635)
Net earnings (May 31, 2009 – as restated)		48,457	44,269	146,741	110,977
Shares repurchased – excess of purchase price over carrying value	10	(394)	–	(868)	–
Dividends		(4)	(4)	(14,149)	(14,038)
Retained earnings – end of period (May 31, 2009 – as restated)		$ 535,922	$ 691,476	$ 535,922	$ 691,476

See accompanying notes.

Interim Consolidated Statements of Comprehensive Income for the periods ended May 31, 2010 and 2009
(in thousands of Canadian dollars)
(unaudited)

	Notes	3 months 2010	3 months 2009 *(Restated – see Note 1.b))*	9 months 2010	9 months 2009 *(Restated – see Note 1.b))*
Net earnings		$ 48,457	$ 44,269	$ 146,741	$ 110,977
Other comprehensive income (loss)					
Change in fair value of derivatives designated as cash flow hedges, net of income tax expense (recovery) of $1.5 million and $0.9 million respectively for the three months, and $3.3 million and ($2.6 million) respectively for the nine months	12	3,859	2,432	8,164	(6,668)
Comprehensive income		$ 52,316	$ 46,701	$ 154,905	$ 104,309

See accompanying notes.

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
for the periods ended May 31, 2010 and 2009
(unaudited)

Astral Media Inc. ("Astral" or the "Company") is incorporated under the *Canada Business Corporations Act* and its shares are traded on the Toronto Stock Exchange. Its activities consist primarily of specialty, pay and pay-per-view television broadcasting, radio broadcasting and out-of-home advertising.

1. Accounting Policies

a) Basis of Presentation

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") with the exception that they do not include all of the disclosures that are required for annual financial statements. They should be read in conjunction with the audited consolidated financial statements and related notes and the Management's Discussion and Analysis ("MD&A") contained in the Company's 2009 Annual Report, as well as with the MD&A for the three- and nine-month periods ended May 31, 2010 and 2009. The accounting policies are consistent with those used in preparing the audited consolidated financial statements for the year ended August 31, 2009, with the exception of the changes described below. All amounts are expressed in Canadian dollars.

Certain comparative figures have been reclassified to conform to the basis of presentation adopted in Fiscal 2010.

b) Accounting Changes

Effective September 1, 2009, the Company adopted, retroactively with restatement of prior period amounts, the following Canadian Institute of Chartered Accountants' ("CICA") recommendations:

> Section 3064, *Goodwill and Intangible Assets*, which replaced Section 3062, *Goodwill and Other Intangible Assets*, Section 3450, *Research and Development* and EIC-27, *Revenues and Expenditures during the Pre-operating Period*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Following the adoption of Section 3064, the Company reclassified the net carrying value of computer software that met the definition of intangible assets from property, plant and equipment to other intangible and non-current assets on the consolidated balance sheets. The amortization expense related to these assets previously recorded in depreciation was reclassified as amortization of intangible assets on the interim consolidated statements of earnings. The Company also wrote off start-up and business pre-operating costs and related future income tax liabilities through opening retained earnings. The prior year's net earnings for the three- and nine-month periods ended May 31, 2009 were restated to recognize business pre-operating costs of new services as operating expenses, to eliminate the amortization of business pre-operating costs and to reverse the future income tax expense related to such business pre-operating costs in the interim consolidated statements of earnings.

Following the adoption of Section 3064, cumulative adjustments to the consolidated balance sheet as at August 31, 2009 and to the interim consolidated statements of earnings and cash flows for the three- and nine-month periods ended May 31, 2009 are summarized as follows:

Balance Sheet *(in thousands)*		August 31, 2009
		increase / *(decrease)*
Prepaid expenses and other current assets	$	(369)
Property, plant and equipment		(7,323)
Other intangible and non-current assets		(1,934)
	$	(9,626)
Future income tax liabilities	$	(2,745)
Retained earnings		(6,881)
	$	(9,626)

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
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Statements of Earnings *(in thousands except for per-share data)*	Three months ended May 31, 2009 *increase / (decrease)*	Nine months ended May 31, 2009 *increase / (decrease)*
Operating expenses	$ 430	$ 7,168
Depreciation	(834)	(2,578)
Amortization of intangible assets	448	1,870
Earnings before income taxes	(44)	(6,460)
Income tax provision	(10)	(1,825)
Net earnings	$ (34)	$ (4,635)
Earnings per share		
- Basic	$ –	$ (0.08)
- Diluted	$ –	$ (0.08)

Statements of Cash Flows *(in thousands)*	Three months ended May 31, 2009 *increase / (decrease)*	Nine months ended May 31, 2009 *increase / (decrease)*
Operating activities		
Net earnings	$ (34)	$ (4,635)
Depreciation and amortization	(386)	(708)
Future income tax expense	(10)	(1,825)
	(430)	(7,168)
Net change in non-cash operating items	85	162
Cash provided by operating activities	(345)	(7,006)
Investing activities		
Additions to property, plant and equipment	865	2,350
Additions to other intangible and non-current assets	(520)	4,656
Cash used for investing activities	345	7,006
Net change in cash and cash equivalents	$ –	$ –

Following the adoption of Section 3064, the opening consolidated retained earnings balance as at September 1, 2008 was reduced by $2.7 million.

c) Future Accounting Changes

The Company believes that the future adoption of the following CICA recommendations will have an impact on the Company's future financial statements:

i) Section 1582, *Business Combinations*, was issued and replaces Section 1581, *Business Combinations*. This new section establishes standards for the measurement of a business combination and the recognition and measurement of the assets acquired and liabilities assumed.

ii) Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*, were issued and together replace Section 1600, *Consolidated Financial Statements*. These new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Company is required to apply Sections 1582, 1601 and 1602 prospectively as of September 1, 2011. Section 1582 is the Canadian equivalent to International Financial Reporting Standard IFRS 3 (R), *Business Combinations*. Section 1602 is the Canadian equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, *Consolidated and Separate Financial Statements*.

The Company is in the process of evaluating the requirements of Sections 1582, 1601 and 1602, and their potential impact on the Company's future consolidated financial statements.

2. INTEREST AND FINANCIAL EXPENSES

	3 months		9 months	
(in thousands)	2010	2009	2010	2009
Interest expense on long-term debt	$ 1,544	$ 2,427	$ 4,774	$ 14,434
Interest expense related to swap agreement, net	3,979	5,218	12,884	11,648
Imputed interest on other non-current liabilities	558	584	1,641	1,903
Other interest expense and financing costs, net	428	697	1,013	1,005
	$ 6,509	$ 8,926	$ 20,312	$ 28,990

3. INCOME TAX PROVISION

On November 16, 2009, the Ontario government substantively enacted a progressive decrease to its general corporate income tax rate from 14.0% to 10.0%, to be phased in between July 1, 2010 and July 1, 2013. Upon each enacted rate change, over which the Company has no control, the Company is required to re-measure its future income tax assets and liabilities using the newly enacted corporate income tax rates, taking into account the rates anticipated to be in effect when the respective future income tax assets are realized or liabilities are settled. During the first quarter of Fiscal 2010, this resulted in a non-cash future income tax recovery of $8.4 million ($0.15 per share) recorded in the interim consolidated statement of earnings.

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
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4. Consolidated Statements of Cash Flows

a) Net Change in Non-cash Operating Items

	3 months		9 months	
(in thousands)	2010	2009	2010	2009
		(Restated – see Note 1.b))		*(Restated – see Note 1.b))*
Decrease (increase) in accounts receivable and other assets	$ (27,331)	$ (16,086)	$ (29,191)	$ 1,952
Decrease (increase) in program and film rights	4,020	6,213	(7,455)	(2,544)
Increase (decrease) in accounts payable and accrued liabilities, and income taxes payable	9,225	17,668	(11,794)	(3,710)
Increase (decrease) in program and film rights payable	783	(520)	14,858	16,107
	$ (13,303)	$ 7,275	$ (33,582)	$ 11,805

b) Interest Paid, Received and Income Taxes Paid

	3 months		9 months	
(in thousands)	2010	2009	2010	2009
Interest paid	$ (5,818)	$ (8,246)	$ (18,354)	$ (27,102)
Interest received	$ 40	$ 76	$ 198	$ 530
Income taxes paid	$ (19,167)	$ (9,993)	$ (49,352)	$ (36,615)

c) Non-cash Transactions

The interim consolidated statements of cash flows for the three- and nine-month periods ended May 31, 2010 exclude additions to property, plant and equipment of $0.3 million that were unpaid as at that date (no exclusions for the three- and nine-month periods ended May 31, 2009) and include additions to property, plant and equipment of $0.9 million and $2.3 million that were unpaid as at February 28, 2010 and August 31, 2009 respectively (include additions of $1.6 million and $3.4 million that were unpaid as at February 28, 2009 and August 31, 2008 respectively for the three- and nine-month periods ended May 31, 2009).

The interim consolidated statements of cash flows for the three- and nine-month periods ended May 31, 2010 exclude addition to broadcast licences of $5.0 million that was unpaid as at that date.

Also, the interim consolidated statements of cash flows for the three- and nine-month periods ended May 31, 2010 exclude an addition to other intangible and non-current assets of $5.2 million that was unpaid as at that date.

5. Employee Future Benefits

The Company has two voluntary defined benefit pension plans (the “Plan”) which are no longer available to new employees, and a Supplementary Executive Retirement Plan (the "SERP") to provide supplemental pension benefits to certain key executives. Defined contribution components of the Plan are also available to all employees hired on or after December 1, 2005. In addition, the Company has a non-pension post-retirement benefit plan which provides health benefits and dental care to certain employees who were hired before January 1, 2002.

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Elements included in the expense related to the Plan and SERP for the three months ended May 31 are as follows:

	2010		2009	
(in thousands)	Plan	SERP	Plan	SERP
Current service cost	$ 1,838	$ 121	$ 1,723	$ 112
Interest cost	1,071	167	990	159
Expected return on plan assets	(1,089)	–	(986)	–
Amortization of past service costs	–	16	–	17
Amortization of net actuarial loss	54	(2)	15	1
Net benefit plan expense	$ 1,874	$ 302	$ 1,742	$ 289

Elements included in the expense related to the Plan and SERP for the nine months ended May 31 are as follows:

	2010		2009	
(in thousands)	Plan	SERP	Plan	SERP
Current service cost	$ 5,515	$ 361	$ 5,168	$ 337
Interest cost	3,214	499	2,971	478
Expected return on plan assets	(3,267)	–	(2,958)	–
Amortization of past service costs	–	49	–	49
Amortization of net actuarial loss	160	(2)	46	1
Net benefit plan expense	$ 5,622	$ 907	$ 5,227	$ 865

For the three- and nine-month periods ended May 31, 2010, the cumulative expense related to the Company's non-pension post-retirement benefit plan and the defined contribution components of the Plan is $0.5 million and $1.6 million respectively and is included in operating expenses on the interim consolidated statements of earnings ($0.6 million and $1.7 million respectively for the three- and nine-month periods ended May 31, 2009).

6. Business Segments

The Company's business segments are Television, Radio and Out-of-Home. The Television segment comprises the Company's specialty, pay and pay-per-view television services. Its revenues are derived from subscription fees, advertising sales and pay-per-view sales. The Radio segment comprises the Company's FM and AM radio stations and its revenues are derived from advertising sales. The Out-of-Home segment comprises activities related to posting advertising on the Company's inventory of out-of-home faces and street furniture equipment, and its revenues are derived from the sale of such advertising. Advertising revenues in each of the three business segments tend to follow seasonal patterns. All activities are conducted in Canada.

During the third quarter of Fiscal 2009, the Company restructured certain of its television operations and a restructuring charge of $0.6 million was recorded in the interim consolidated statement of earnings. During the second quarter of Fiscal 2009, the Company restructured certain of its radio operations and a restructuring charge of $2.7 million was then recorded. Total restructuring charges for nine-month period ended May 31, 2009 amounted to $3.3 million.

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
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(unaudited)

	For the three months ended May 31, 2010			
(in thousands of $)	Television	Radio	Out-of-Home	Consolidated
Revenues	144,895	89,141	19,561	253,597
Earnings before undernoted items	55,840	28,948	7,355	92,143
Depreciation and amortization	(2,433)	(2,867)	(2,366)	(7,666)
Restructuring charges	–	–	–	–
Earnings before unallocated items	53,407	26,081	4,989	84,477
Interest expense, net				(6,509)
Corporate costs (including depreciation and amortization of $355)				(7,564)
Income tax provision				(21,947)
Net earnings				48,457
Identifiable assets at period end (excluding Corporate assets of $33,866)	816,447	1,065,376	161,034	2,042,857
Additions to property, plant and equipment (excluding Corporate additions of $1,777)	3,235	1,240	4,449	8,924
Additions to intangible assets (excluding Corporate additions of $172)	65	307	5,840	6,212
Addition to broadcast licences (Note 8)	–	5,022	–	5,022

	For the three months ended May 31, 2009 *(Restated – see Note 1.b))*			
(in thousands of $)	Television	Radio	Out-of-Home	Consolidated
Revenues	133,150	81,630	17,757	232,537
Earnings before undernoted items	54,497	27,335	6,606	88,438
Depreciation and amortization	(2,328)	(2,477)	(1,836)	(6,641)
Restructuring charges	(616)	–	–	(616)
Earnings before unallocated items	51,553	24,858	4,770	81,181
Interest expense, net				(8,926)
Corporate costs (including depreciation and amortization of $192)				(6,796)
Income tax provision				(21,190)
Net earnings				44,269
Identifiable assets at period end (excluding Corporate assets of $56,242)	802,435	1,414,441	128,296	2,345,172
Additions to property, plant and equipment (excluding Corporate additions of $233)	1,374	1,217	6,932	9,523
Additions to intangible assets (excluding Corporate additions of $3)	42	3,542	494	4,078
Addition to broadcast licences	–	–	–	–

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
for the periods ended May 31, 2010 and 2009
(unaudited)

	For the nine months ended May 31, 2010			
(in thousands of $)	Television	Radio	Out-of-Home	Consolidated
Revenues	415,570	252,212	54,781	722,563
Earnings before undernoted items	158,646	88,459	18,225	265,330
Depreciation and amortization	(7,246)	(8,352)	(6,638)	(22,236)
Restructuring charges	–	–	–	–
Earnings before unallocated items	151,400	80,107	11,587	243,094
Interest expense, net				(20,312)
Corporate costs (including depreciation and amortization of $803)				(21,799)
Income tax provision				(54,242)
Net earnings				146,741
Identifiable assets at period end (excluding Corporate assets of $33,866)	816,447	1,065,376	161,034	2,042,857
Additions to property, plant and equipment (excluding Corporate additions of $2,489)	4,984	3,128	18,824	26,936
Additions to intangible assets (excluding Corporate additions of $302)	328	3,081	10,364	13,773
Addition to broadcast licences (Note 8)	–	5,022	–	5,022

	For the nine months ended May 31, 2009			
				(Restated – see Note 1.b))
(in thousands of $)	Television	Radio	Out-of-Home	Consolidated
Revenues	388,367	246,822	51,109	686,298
Earnings before undernoted items	139,054	81,226	15,917	236,197
Depreciation and amortization	(6,684)	(7,430)	(5,064)	(19,178)
Restructuring charges	(616)	(2,691)	–	(3,307)
Earnings before unallocated items	131,754	71,105	10,853	213,712
Interest expense, net				(28,990)
Corporate costs (including depreciation and amortization of $577)				(20,299)
Income tax provision				(53,446)
Net earnings				110,977
Identifiable assets at period end (excluding Corporate assets of $56,242)	802,435	1,414,441	128,296	2,345,172
Additions to property, plant and equipment (excluding Corporate additions of $523)	4,789	4,660	18,007	27,456
Additions to intangible assets (excluding Corporate additions of $360)	396	3,993	627	5,016
Addition to broadcast licences	–	–	–	–

ASTRAL MEDIA INC.
Notes to Interim Consolidated Financial Statements
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(unaudited)

7. Program and Film Rights

(in thousands)		May 31, 2010		August 31, 2009
Program and film rights – current	$	108,410	$	92,545
Program and film rights		43,968		43,121
Investments in programs and films		8,841		18,098
		52,809		61,219
Program and film rights	$	161,219	$	153,764

For the three- and nine-month periods ended May 31, 2010, the expense for program and film rights recorded in operating expenses on the interim consolidated statements of earnings amounted to $54.8 million and $134.1 million respectively ($49.0 million and $124.6 million for the three- and nine-month periods ended respectively May 31, 2009), including $2.5 million and $6.7 million respectively for the write-down of investments in programs and films ($2.5 million and $6.6 million for the three- and nine-month periods ended respectively May 31, 2009).

8. Broadcast Licences

The changes in broadcast licences are summarized as follows :

(in thousands)		Nine months ended May 31, 2010		Year ended August 31, 2009
Beginning of year	$	1,408,037	$	1,807,496
Impairment charge		–		(399,459)
Broadcast licence commitments		5,022		–
End of year	$	1,413,059	$	1,408,037

During the third quarter of Fiscal 2010, the Company recorded investment commitments of $5.0 million related to obligations under a licence obtained to operate a radio station in the Ottawa market launched in May 2010.

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9. CREDIT FACILITIES

The components of the Company's long-term debt are as follows:

(in thousands)		May 31, 2010		August 31, 2009
One-month bankers' acceptances	$	599,300	$	694,600
Canadian prime-rate loans		700		400
Deferred financing costs		(1,724)		(2,239)
Long-term debt	$	598,276	$	692,761

On October 29, 2007, the Company established a $1.0 billion credit facility (the "Facility") with a syndicate of financial institutions, which has been reduced to $775.0 million as at May 31, 2010 following repayments. The Facility has a five-year term which started on October 29, 2007 and borrowings under the Facility can be in the form of bankers' acceptances, Canadian prime-rate loans, US base-rate loans or LIBOR loans, and bear interest accordingly, plus a premium based on certain financial ratios.

Borrowings under the Company's Facility are subject to interest rate fluctuations. To manage the volatility relating to this exposure, the Company is party to derivative financial instruments. The Company does not use derivative financial instruments for trading or speculative purposes. On October 29, 2007, the Company entered into an interest-rate swap agreement with a large Canadian bank to hedge its exposure to interest rate fluctuations (the "Agreement"). The Agreement is based on an initial nominal debt amount of $750.0 million which is being reduced periodically ($343.9 million as at May 31, 2010), based on a predetermined schedule, until its maturity on May 29, 2012. Under the Agreement, the Company pays interest based on a fixed interest rate of 4.6% and receives interest based on floating 30-day bankers' acceptances rates. The Company elected to apply cash flow hedge accounting on this derivative financial instrument.

As at May 31, 2010, total borrowings under the Facility amounted to $600.0 million ($695.0 million as at August 31, 2009), excluding $19.3 million of outstanding letters of credit ($19.3 million as at August 31, 2009), and bear a weighted-average interest rate of 3.4% (3.8% as at August 31, 2009), after reflecting the effect of the interest-rate swap agreement. The Company fully guarantees the Facility on an unsecured basis and also has a prepayment option without penalty that can be exercised at any time during the term of the Facility. Under the terms of the Facility, the Company has no repayment obligation before October 29, 2012.

The Company is also required to comply with certain financial ratios. The Company has been in compliance with these financial ratios and all other covenants since the establishment of the Facility.

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10. CAPITAL STOCK

a) Issued and Outstanding Capital Stock

The following table summarizes the changes in the Company's capital stock comprising its Class A non-voting shares ("Class A shares"), Class B subordinate voting shares ("Class B shares") and Special shares ("Special shares"):

	Nine months ended May 31, 2010		Year ended August 31, 2009	
(in thousands except for number of shares)	Number of shares outstanding	Carrying value of shares	Number of shares outstanding	Carrying value of shares
Class A shares:				
Beginning of year	53,388,843	$ 749,980	53,200,874	$ 745,070
Conversion of Class B shares	26,000	25	3,000	3
Stock options exercised (Notes 10.d) and 11)	356,615	10,638	79,469	1,671
Conversion of restricted share units (Notes 10.d) and 11)	105,800	3,317	105,500	3,236
Shares repurchased (Note 10.e))	(46,300)	(655)	–	–
End of period	53,830,958	763,305	53,388,843	749,980
Class B shares:				
Beginning of year	2,784,672	2,723	2,787,672	2,726
Conversion to Class A shares	(26,000)	(25)	(3,000)	(3)
End of period	2,758,672	2,698	2,784,672	2,723
Special shares	65,000	325	65,000	325
		$ 766,328		$ 753,028

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b) Earnings per Share

The following is a reconciliation of the numerators and denominators used for the computation of basic and diluted earnings per share:

	3 months		9 months	
(in thousands)	2010	2009	2010	2009
		(Restated – see Note 1.b))		*(Restated – see Note 1.b))*
Net earnings (numerators)	$ 48,457	$ 44,269	$ 146,741	$ 110,977
Weighted average number of shares outstanding (denominators):				
Weighted average number of shares outstanding – basic	56,583	56,118	56,428	56,077
Effect of dilutive securities	694	459	688	420
Weighted average number of shares outstanding – diluted	57,277	56,577	57,116	56,497

For the three- and nine-month periods ended May 31, 2010, 381,991 stock options were excluded from the computation of diluted earnings per share due to their anti-dilutive effect (707,944 stock options were excluded for the three- and nine-month periods ended May 31, 2009).

c) Stock-based Compensation Costs

During the second quarter of Fiscal 2010, the Company granted 386,052 options to key employees to purchase Class A shares of the Company (371,892 options to purchase Class A shares were granted in the second quarter of Fiscal 2009). The fair value of options granted was determined using the Black-Scholes option pricing model and the following assumptions:

	Fiscal 2010 Grant	Fiscal 2009 Grant
Assumptions:		
Risk-free interest rate	2.30%	2.15%
Expected volatility in the market price of the shares	20.60%	24.60%
Expected dividend yield	1.57%	2.38%
Expected life	5.5 years	4.5 years
Fair value per option:	$6.02	$3.66

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During the first quarter of Fiscal 2010, the Company extended the term of the 589,330 outstanding Class A stock options granted between December 13, 2004 and December 12, 2008 to non-insider employees from five to seven years. The extension of the term of these options increased the fair value of such options by a range of $0.26 to $4.05 per option resulting, for the nine-month period ended May 31, 2010, in an additional stock-based compensation expense of $0.6 million.

During the second quarter of Fiscal 2010, the Company also granted 87,600 restricted share units (“RSUs”) to key employees (79,500 RSUs were granted in the second quarter of Fiscal 2009). The fair value of the RSUs granted is $31.86 per unit ($20.75 per unit in Fiscal 2009) which is equal to the market price of a Class A share of the Company at the time of the grant.

The compensation costs related to stock options and RSUs granted to employees are recorded in operating expenses on the interim consolidated statements of earnings, over their expected vesting period for stock options, and over a three-year vesting period for RSUs. Such compensation costs are credited to contributed surplus on the interim consolidated balance sheets. For the three- and nine-month periods ended May 31, 2010, stock-based compensation costs amounted to $1.3 million and $4.8 million respectively (see Note 11) ($1.5 million and $4.8 million respectively for the three- and nine-month periods ended May 31, 2009).

For the three- and nine-month periods ended May 31, 2010, the compensation costs related to the Company’s deferred share unit plan amounted to $0.5 million and $1.4 million respectively ($0.6 million and $0.7 million respectively for the three- and nine-month periods ended May 31, 2009) and are recorded in operating expenses on the interim consolidated statements of earnings.

d) Stock Option Plan and Restricted Share Unit Plan

The following table summarizes the changes in the Company’s employee stock option plan:

	Nine months ended May 31, 2010	Year ended August 31, 2009
Number of options:		
Outstanding – beginning of year	3,154,763	3,104,096
Granted	386,052	371,892
Exercised	(356,615)	(79,469)
Cancelled	(13,130)	(23,917)
Expired	(5,149)	(217,839)
Outstanding – end of period	3,165,921	3,154,763
Exercisable – end of period	2,217,097	2,217,730

The following table summarizes the changes in the Company’s restricted share unit plan:

	Nine months ended May 31, 2010	Year ended August 31, 2009
Number of units :		
Outstanding – beginning of year	303,800	329,800
Granted	87,600	79,500
Converted to Class A shares	(105,800)	(105,500)
Cancelled	(2,800)	–
Outstanding – end of period	282,800	303,800

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e) Normal Course Issuer Bid

On December 9, 2009, the Company announced a renewal of its normal course issuer bid. Under the terms of this renewal, the Company is authorized to repurchase for cancellation up to 1,338,192 Class A shares and 69,616 Class B shares, both quantities representing 2.5% of the outstanding shares as at November 30, 2009 for their respective class of shares. The share repurchase program is being conducted over a maximum period of 12 months which began on December 15, 2009.

For the three- and nine-month periods ended May 31, 2010, the Company repurchased a total of 19,100 and 46,300 Class A shares for a total cash consideration of $0.7 million and $1.5 million respectively of which $0.4 million and $0.9 million respectively was charged to retained earnings. During the same periods last year, the Company did not repurchase any Class A or Class B shares.

11. CONTRIBUTED SURPLUS

The following table summarizes the changes in the Company's contributed surplus:

(in thousands)		Nine months ended May 31, 2010		Year ended August 31, 2009
Beginning of year	$	17,068	$	14,409
Stock-based compensation costs (Note 10.c))		4,805		5,912
Stock options exercised		(1,570)		(17)
Restricted share units converted to Class A shares (Note 10.a))		(3,317)		(3,236)
End of period	$	16,986	$	17,068

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in the Company's accumulated other comprehensive loss:

(in thousands)		Nine months ended May 31, 2010		Year ended August 31, 2009
Beginning of year	$	(16,109)	$	(13,001)
Other comprehensive income (loss) for the period, net of income tax expense (recovery) of $3.3 million and ($1.2 million) respectively		8,164		(3,108)
End of period	$	(7,945)	$	(16,109)

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13. CONTINGENCIES

The Canadian Association of Broadcasters (the "CAB"), on behalf of its members, challenged in Court the validity of the Part II licence fees payable annually to the Canadian Radio-television and Telecommunications Commission (the "CRTC") by television and radio broadcasters, as well as broadcast distribution undertakings. In December 2006, the Federal Court ruled that the Part II licence fees were an illegal tax. The Federal Government appealed the Federal Court judgment, and on April 28, 2008, the Appeal Court ruled that the Federal Court mischaracterized the legal test to be applied to distinguish a tax from a regulatory charge and that the fees represented, in fact, administrative costs incurred by the CRTC. On June 27, 2008, the CAB, on behalf of its members, filed an application for leave to appeal the Appeal Court decision to the Supreme Court of Canada (the "SCC"), which application was granted on December 18, 2008. The CRTC confirmed to the CAB that it would not attempt to collect outstanding Part II fees until the earlier of (i) the Appeal Court decision is affirmed by the SCC; or (ii) the matter is settled between the parties. The Company had been paying or accruing, as the case may be, the Part II licence fees using known rates since the beginning of legal proceedings.

In October 2009, the CAB announced that its Board of Directors, along with other fee-paying stakeholders, approved the terms of a settlement agreement with the Government of Canada pertaining to the Part II licence fees issue. The agreement has resulted in the CAB and other named parties discontinuing the legal challenge before the SCC. As provided by the agreement, fees and interest due to the Government, but not collected by the CRTC due to ongoing litigation issues for the fiscal years 2007, 2008 and 2009, were waived and there will not be any recovery of the amounts paid by the stakeholders to the Government for any prior year. Going forward, further to the Government's recommendation, the CRTC has published for comments amendments to the Part II licence fee regime to cap the fees. The revised fee regime is effective for the fiscal year beginning September 1, 2009.

In the first quarter of Fiscal 2010, following the settlement, the Part II licence fees accrued as at August 31, 2009, amounting to $11.6 million ($8.0 million, net of income taxes, or $0.14 per share), were reversed through operating expenses on the Company's interim consolidated statement of earnings.

Furthermore, the purchase price of a prior year's business acquisition is subject to a contingent consideration, the amount of which is based on the impact on future earnings of the final resolution of matters pertaining to the Part II licence fees settlement agreement. The Company will therefore be required to pay an additional cash consideration estimated to be less than $10.0 million. The additional consideration will be accounted for as an increase of goodwill in the period in which the amount is agreed to.

14. SUBSEQUENT EVENT

In December 2008, the Copyright Board held a consolidated proceeding to hear five copyright tariff proposals for commercial radio for the calendar year 2008 and beyond. Subsequent to the end of the quarter, on July 9, 2010, the Copyright Board issued its commercial radio tariff decision for the use of music covering both the performance rights and the reproduction rights, which calls for the introduction of two new regulated tariffs to be paid to AVLA/SOPROQ and to Artisti, and sets increased royalties to be paid to CSI, all retroactive to January 1, 2008. The Copyright Board decision calls for the rates under tariffs for SOCAN and Sound (formerly NRCC) to remain unchanged until December 31, 2010 and December 31, 2011 respectively.

As of May 31, 2010, the overall impact of the decision on the Company's earnings, resulting mostly from royalties payable under the new tariffs for AVLA/SOPROQ and Artisti, is an estimated reduction of $9.0 million ($6.2 million net of income taxes) and will be recorded in the fourth quarter of Fiscal 2010.

CORPORATE INFORMATION

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